Responsible agricultural investments in developing countries – how to make principles and guidelines effective
Foreword

This is the ninth edition in the Swedish FAO Committee discussion paper series. The aim is to stimulate interest in issues concerning global cooperation, particularly the work of the Food and Agriculture Organisation of the United Nations (FAO).

Since the Committee’s previous paper on foreign land investments in developing countries, the issue remains highly topical internationally, both based on the growing realisation that the development of agriculture¹ in many countries can be a powerful driver of economic growth through increased trade in agricultural products, and through securing food supplies. Investing in agriculture is therefore absolutely central. However, in recent decades, investments have declined, which further increases the need for a discussion of how to increase investments in agriculture. It is also important to counter the risk of the investments having a negative impact on the local population. This risk increases when, for example, there is no legal system to ensure tenure rights or when the existing regulations are not followed. For this reason, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, endorsed by the Committee on World Food Security (CFS) in 2012, are so important. They are to guide states when administering land and other natural resources. Sweden supports FAO’s implementation of the guidelines in order to ensure their application and thereby help improve land ownership and tenure rights of farmers, especially women.

The CFS has decided to build on the guidelines by developing the Principles for Responsible Agricultural Investments, which are to be non-binding and cover all types of investments in the food chain. This process is a priority for the Swedish Government and we are working to ensure that the principles encourage investments that increase productivity and growth in a sustainable way, without disadvantaging vulnerable groups or the local population.

In many developing countries, we see an increase in economic growth where investments to develop industries, not least agriculture and food supply, are important for reducing poverty and increasing food production. It is a natural extension of, and complement to, the support given to reach a situation where countries are not dependent on development funding.

¹ Including forestry and fisheries.
In this discussion paper, the author focuses on how the principles for responsible investments in agriculture and forestry in developing countries could be designed to provide conditions for farming that promote food security, nutrition and sustainable development. As a starting point, accounts are given of small-scale agricultural production and three examples of investments in agriculture and forestry in Africa and South America, respectively, where Swedish interests are involved.

This discussion paper has been commissioned by the Swedish FAO Committee. The author is fully responsible for its content and the Committee has not taken a position on the views expressed.

It is hoped that this discussion paper will contribute to the important ongoing debate on how investments in agriculture can best contribute to economic growth and reduce the number of hungry people in the world.

Magnus Kindbom,
President of the Swedish FAO Committee
Acknowledgments

I am thankful for comments and contributions to this discussion paper from a number of persons with knowledge about and interest in the potential for improving agricultural investments in direction of responsibility and efficiency. I am grateful for contributions and comments from Mats Härsma, formerly the Nordic Africa Institute, and his inputs to the first parts of the discussion paper. Linda Engström and Atakilte Beyene, researchers at the Nordic Africa Institute, provided comments to parts of an early draft of the paper. Susanne von Walter, Sida helpdesk at the Swedish University of Agricultural Sciences contributed perspectives on the Niassa case study.

The members of the editorial committee of the Swedish FAO committee, Inge Gerremo and Gunnel Axelsson Nycander, contributed constructive comments to the whole draft report of 17 October 2013.

Members of the Swedish FAO Committee also contributed important perspectives, comments and insights to the draft of report of 17 October 2013 in its committee meeting on 7 November 2013.

Lena Algerin, Swedfund, co-investor in Addax Bioenergy, Sierra Leone, and Christina Olivecrona, The Second Swedish National Pension Fund, AP2, investing in large-scale agricultural land in Brazil, provided detailed and important information to various drafts of the discussion paper. Comments were also provided by Jörgen Sandström, Addax Bioenergy, Switzerland (version of 12 December 2013). Comments related both to project background and investor strategies and approaches, but also to various impacts and contextual aspects connected with the investments. The Global Solidarity Forest Fund, GSFF, responsible for the tree plantation investment in Niassa, was approached for comments. Gunnel Axelsson Nycander, the Church of Sweden at central level, also provided detailed comments to the Niassa case study (draft report of 17 October 2013). The Swedish FAO Committee furthermore contributed comments to the Addax Bioenergy case study (version of 4 and 17 February 2014).

As to contexts and impacts, the discussion paper also builds on reports and facts provided by the investors and by an auditor and monitoring company hired by one investor (Addax Bioenergy), and by various NGOs’ assessments of the background, process and impacts of large scale investments which are in focus in this discussion paper: ActionAid and Swedwatch (for the Addax Bioenergy/Sierra Leone
investment), Swedwatch (for AP2’s Brazilian agricultural investments) the Transnational Institute, TNI (for contextual analysis of Brazilian agriculture) and FIAN (for the GSFF/Diocese of Västerås investment in Niassa). Swedwatch is a Swedish NGO established in 2003. The other NGOs are all international with long experience in advocacy work as well as evaluation of projects and development issues. All the NGOs mentioned, except TNI, have offices in Sweden. ActionAid, London, and Swedwatch, Stockholm, provided comments to the description and the analysis in this discussion paper of the Addax Bioenergy investment in Sierra Leone (draft of 17 October 2013).

Helena Sivard-Askvik, the Swedish Ministry for Rural Affairs, Stockholm has, on behalf of the Swedish FAO Committee, provided administrative support for the realization of the discussion paper.

I am further grateful to Peter Colenbrander for competent language editing and to Clive Liddiard for editorial advice. Tania Berger provided administrative support for the language editing for which I am grateful.

A discussion paper has a particular objective in mobilising, generating, sharing and contrasting information and knowledge on certain topics. This was taken into account in the organization and approach of this paper. The comments received from a number of different stakeholders to the first draft of this paper (17 October 2013), raised important discussions around some of the topics addressed by the paper. The draft of 17 October 2013 was subsequently followed by a number of final versions of the paper, i.e. of 12 December 2013, of 4 February 2014 and of 17 February 2014. Some of the comments by representatives of investors to the paper (version of 12 December 2014) were, however, not dealt with since they were outside the frame of the discussion paper as envisaged by the Swedish FAO Committee.

The responsibility for the content of the discussion paper rests with the author.

Uppsala 28 February 2014

Kjell Havnevik
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# Acronyms

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<th>Description</th>
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<tbody>
<tr>
<td>ABP</td>
<td>Dutch Pension Fund (part owner of GSFF in Mozambique)</td>
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<tr>
<td>ABSL</td>
<td>Addax Bioenergy Sierra Leone</td>
</tr>
<tr>
<td>ActionAid</td>
<td>non-governmental organization with headquarter in South Africa (26 founding members and offices in 45 countries)</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ÄG</td>
<td>Ägarrapport (Owner’s report of AP2)</td>
</tr>
<tr>
<td>AOG</td>
<td>Addax and Oryx Group (primary investor in ABSL - Swiss company registered on Malta)</td>
</tr>
<tr>
<td>AP2</td>
<td>The Second Swedish National Pension Fund, Gothenburg, Sweden (part owner of TCGA)</td>
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<tr>
<td>BIO</td>
<td>Belgian Investment Company for Developing Countries (co-investor in ABSL)</td>
</tr>
<tr>
<td>BNDS</td>
<td>National Bank for Economic Development and Social Development (Brazil)</td>
</tr>
<tr>
<td>Bonsucro</td>
<td>Better Sugar Cane Initiative (a global multi-stakeholder non-profit initiative dedicated to reducing the environmental and social impact of sugar cane production)</td>
</tr>
<tr>
<td>Bovespa</td>
<td>stock exchange located in São Paulo, Brazil (Bolsa de Valores, Mercadorias &amp; Futuros de São Paulo)</td>
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<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa</td>
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<tr>
<td>CAADP</td>
<td>Comprehensive Africa Agriculture Development Programme</td>
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<tr>
<td>CFS</td>
<td>Committee on World Food Security, Rome</td>
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<tr>
<td>CFS-RAI</td>
<td>New connotation (since January 2014) for the principles for responsible agricultural investments process connected with the Committee on World Food Security, CFS.</td>
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<tr>
<td>CO2eq</td>
<td>CO2 equivalent</td>
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<tr>
<td>CPT</td>
<td>The Pastoral Land Commission (Comissao Pastoral da Terra, Brazil)</td>
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<td>CSM</td>
<td>Civil Society Mechanism (related to CFS stakeholders)</td>
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<tr>
<td>CSO</td>
<td>civil society organisation</td>
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<tr>
<td>CS</td>
<td>Civil society</td>
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<tr>
<td>DEG</td>
<td>German Investment and Development Company (co-investor in ABSL)</td>
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<tr>
<td>DFI</td>
<td>Development Finance Institution</td>
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<tr>
<td>DNTF</td>
<td>National Directorate of Land and Forests, Mozambique</td>
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<tr>
<td>DNV</td>
<td>The Norwegian Veritas, Oslo, Norway</td>
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<tr>
<td>DUAT</td>
<td>direito de uso e aproveitamento da terra (the right to use and benefits from land), land ownership certificate, Mozambique (also Título do DUAT, a title document corresponding to DUAT)</td>
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<tr>
<td>Acronym</td>
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<tr>
<td>DV</td>
<td>Diocese of Västerås, Sweden</td>
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<tr>
<td>EAIF</td>
<td>British Emerging Africa Infrastructure Fund (co-investor in ABSL)</td>
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<tr>
<td>EPZ</td>
<td>Export Processing Zones</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social and Governance Committee (linked to principles for responsible investments in farmland for institutional investors)</td>
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<tr>
<td>ESMP</td>
<td>Community and Skills Development Plan (of ABSL)</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>Euro</td>
<td>European Euro</td>
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<tr>
<td>FAO</td>
<td>Food and Agricultural Organization, specialised United Nation agency, Rome</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FDP</td>
<td>Farmer Development Programme (of ABSL)</td>
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<td>FIAN</td>
<td>Foodfirst International Action Network</td>
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<tr>
<td>FMD</td>
<td>Dutch Development Finance Company (co-investor in ABSL)</td>
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<tr>
<td>FPIC</td>
<td>free, prior and informed consent</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>GHG</td>
<td>greenhouse gas emissions</td>
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<tr>
<td>GSFF</td>
<td>Global Sustainable Forest Fund (Swedish based investment fund investing in forestry in Mozambique and Angola)</td>
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<tr>
<td>GSFI</td>
<td>Global Sustainable Forest International (An international asset management company that manages GSFF and is owned by the Diocese of Västerås, Sweden, the Lutheran Church of Sweden and the Norwegian Lutheran Church Ethical Fund, Opplysningsvesenets fond, OVF)</td>
</tr>
<tr>
<td>Ha(s)</td>
<td>hectare(s)</td>
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<tr>
<td>HLPE</td>
<td>High Level Panel of Experts (of the Committee on World Food Security, CFS)</td>
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<tr>
<td>ICF</td>
<td>Canadian Cordiant managed debt pool (co-investor in ABSL)</td>
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<tr>
<td>IDC</td>
<td>South African Industrial Development Corporation (co-investor in ABSL)</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development, specialised United Nation agency, Rome.</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation (of the World Bank Group)</td>
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<tr>
<td>IFPRI</td>
<td>International Food Policy Research Institute, Washington D. C.</td>
</tr>
<tr>
<td>IIED</td>
<td>International Institute for Environmental Development, London</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation, specialized United Nation agency, Geneva</td>
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<tr>
<td>IPC</td>
<td>International Planning Committee on Food Sovereignty</td>
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<tr>
<td>IRIN</td>
<td>humanitarian news and analysis (service of the UN office for the Coordination of Humanitarian Affairs – offices in many countries globally, including Mozambique)</td>
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<tr>
<td>MINAG</td>
<td>Ministry of Agriculture, Mozambique</td>
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<tr>
<td>MW</td>
<td>megawatt</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>NGO</td>
<td>non-governmental organization</td>
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<tr>
<td>NKUK</td>
<td>Nipon Koei, United Kingdom</td>
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<tr>
<td>OEWG</td>
<td>Open Ended Working Group (of CFS)</td>
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<tr>
<td>OVF</td>
<td>Opplysningsvesenets fond (ethical fund of the Lutheran Church of Norway, part owner of GSFI and GSFF)</td>
</tr>
<tr>
<td>PRAI</td>
<td>Principles for Responsible Agricultural Investments (World Bank led, earlier RAI)</td>
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<tr>
<td>PSM</td>
<td>Private sector mechanism (related to CFS stakeholders)</td>
</tr>
<tr>
<td>R$</td>
<td>Real (Brazilian currency, R$ 1 about SEK 3)</td>
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<tr>
<td>Radar</td>
<td>Radar Propriedades Agricolas SA, Brazil (company managing agricultural properties/investments for TCGA and AP2)</td>
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<tr>
<td>RAI</td>
<td>Responsible Agricultural Investment guidelines (related to World Bank, later renamed PRAI)</td>
</tr>
<tr>
<td>rai</td>
<td>responsible agricultural investment principles promoted by CFS. Since January 2014, however, the connotation rai has been changed to RAI. Thus the process is currently termed CFS-RAI (see above). Throughout this paper rai is maintained as the term for the process. (<a href="https://www.fao.org/cfs-home/resaginv/en/">https://www.fao.org/cfs-home/resaginv/en/</a>)</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan (of ABSL)</td>
</tr>
<tr>
<td>RSB</td>
<td>Roundtable of Sustainable Biomaterials</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community (regional grouping of African countries)</td>
</tr>
<tr>
<td>SEK</td>
<td>Swedish Crown (1 Euro equals about SEK 8.70)</td>
</tr>
<tr>
<td>SEP</td>
<td>Stakeholder Engagement Plan (of ABSL)</td>
</tr>
<tr>
<td>SILNORF</td>
<td>Sierra Leone Network on the Right to Food, a Sierra Leone Non-Governmental Organization</td>
</tr>
<tr>
<td>SLU</td>
<td>Swedish University of Agricultural Sciences, Uppsala, Sweden</td>
</tr>
<tr>
<td>TCGA</td>
<td>TIIA-CREF Global Agriculture Company</td>
</tr>
<tr>
<td>TIAA – CREF</td>
<td>Teachers Insurance and Annuity Association – College Retirement Equities (leading US academic/research/medical sector retirement provider managing USD 487 billion in March 2012)</td>
</tr>
<tr>
<td>TNI</td>
<td>Transnational Institute of Policy Studies (established in Washington D.C. in 1974, has several member offices, including one in Brazil)</td>
</tr>
<tr>
<td>ToR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UN/SRRF</td>
<td>United Nations Special Rapporteur on the Right to Food</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development, Geneva</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNGP</td>
<td>The United Nations Guidelines on Business and Human Rights (the Ruggie guidelines)</td>
</tr>
<tr>
<td>VGGT</td>
<td>Voluntary Guidelines on the Responsible Governance of Tenure of Land, Forests and Fisheries in the context of national food security</td>
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<tr>
<td>WFP</td>
<td>World Food Programme of the United Nations, Rome</td>
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</table>
Summary

This discussion paper attempts to contribute to how to make future investment in agriculture responsible and efficient. Investment in agriculture is critical for global food provision, but in future it will have to compete with investment in land for raw materials and energy, such as various feedstocks for biofuel and biodiesel production. The competition for water will also increase in connection with large-scale investment in agriculture. In the context of a scarcity of water, the emerging competition between investment in land for food and for energy is linked to attainment of “peak oil” and the growing global concern with climate change. These developments are also reflected in the rise of food security and energy security to become primary global political priorities. This policy shift over the last decade is also mirrored by a rapid increase in large-scale land and agricultural investment, with sub-Saharan Africa at the centre. On the African continent, smallholder farmers (most of them women) contribute the major share of food production. In parallel, this process described above has triggered global consultations, initiated in 2008/9, which aim to formulate both voluntary principles and guidelines for improving agricultural investment.

The urge to develop principles and guidelines for agricultural investment also reflects the concern of global, national and local stakeholders with managing land responsibly since this had emerged as a contentious issue globally over the last decade. In the most recent global attempt to formulate voluntary, responsible agricultural investment principles, taking place within the Committee on World Food Security (CFS-RAI), the aims are to promote agricultural investments which simultaneously enhance food security, nutrition and sustainable development – hence the reference to responsibility. Sustainability implies that agricultural investments must address economic, social and environmental/climatic concerns, which will have to be integrated in the discussions and consultations surrounding responsible agricultural investments. In order to address the potential for employing the CFS-RAI principles as a basis for strategy and policy, this discussion paper argues that a need exists for transforming the principles into more concrete guidelines for responsible investment.

1 The original term for the current process of developing principles for responsible agricultural investments promoted by the Committee on World Food Security, CFS, was rai. Since January 2014, however, the term rai has been changed to Principles for Responsible Agricultural Investments, RAI. Thus the process is currently termed CFS-RAI. Throughout this paper, however, rai is maintained as the term for the process being discussed. (For the change of term see, https://www.fao.org/cfs-home/resaginv/en/)
in agriculture so that they can provide the basis for policies and strategies that can prepare for concerted actions and activities.

The CFS-RAI process relates to all types of agricultural investments globally, and it will include all major stakeholders. A global approach to responsible agricultural investments, however, will need to be based on the insights and understanding of the particular constraints and opportunities existing and anticipated in different groups of countries/regions, e.g. developed countries, emerging economies and developing countries and the relations between them. This is the basis for the current global negotiations CFS, which is the foremost intergovernmental and international platform dealing with food security and nutrition and promoting policies that reduce food insecurity. In October 2012, CFS approved an inclusive consultation process to develop and ensure broad ownership of principles for responsible agricultural investments. The Zero Draft of rai, published on August 1 2013, although indicating consensus about the broad principles, also showed clear disagreement among different stakeholders relating to the concretisation of the principles. The CFS, through its Zero Draft, also requested inputs into the further rai process expected to be finalized in October 2014. The High Level Panel of Experts (HLPE), set up to support the CFS by providing evidence-based analysis and advice at the request of CFS, has carried out a number of studies of relevance to the CFS-RAI process.

The Swedish FAO Committee, managing a limited budget, wished to contribute to this process by commissioning a desk study focusing on some of the most critical and discussed aspects of current agricultural investments, i.e. land related investments in developing countries. A particular objective of the study is also to inform about and mobilise discussion around these issues in Sweden. This study is thus structured as a discussion paper and focuses primarily on responsible agricultural investments in the context of land related investments in developing countries, primarily Africa. Since challenges to promote agricultural investments which also enhance food security, nutrition and sustainability are of particular concern to developing countries, especially in Africa, such a study would also contribute to the broader analysis of the rai process. The discussion paper also aims at informing about and mobilizing interest for the rai process among the Swedish concerned public. Three cases relating to large scale land investments – one in agriculture in South America, one in agriculture and one in forestry in Africa – were thus selected for inclusion in which the investors or the co-investor are of Swedish origin. The choice of a case of large scale investments in agriculture in Brazil also makes possible for the discussion paper to reflect on differences of conditions for the
rai process in emerging economies (Brazil) and developing countries in Africa (Sierra Leone and Mozambique).

The discussion paper consists of several parts. The introduction addresses voluntary principles and guidelines in relation to legal pathways, in order to create a framework for responsible agricultural investment. The concept of responsibility is also discussed. Subsequently, the paper presents the background and evolution of global land investment, as well as an analysis of the role of foreign direct investment in relation to economic growth and spill-over effects. Empirical studies cited show that it is difficult to discern any direct connection between foreign direct investment, economic growth and the various spill-over effects, in particular as regards agriculture. This part of the discussion paper thus puts major emphasis on the relations between developed and developing countries, with particular focus on investments and reflections about the constraints and opportunities of investments versus trade.

Since Africa is a major focus for global agricultural land investment, the discussion paper also sets out an understanding of land, land investment and rural organisation on the continent. In addition, there is a description and analysis of smallholder agricultural production regimes and farming systems. This provides an assessment of the potential for smallholder or small-scale agriculture through their investments, and with support from their governments, to contribute to food security, nutrition and sustainable development.

The next sections of the paper present descriptions and different views, featuring the three case studies of large-scale investment in agriculture and forestry: biofuel investment in Sierra Leone by Addax Bioenergy, tree plantations in Niassa, Mozambique led by Swedish and Norwegian church organisations, and large-scale agricultural investments in Brazil by the Second Swedish National Pension Fund, AP2.

The implicit model in the evaluation of the case studies is to focus on pre-conditions, processes and planned and unintended outcomes, and the relationships between these elements. The character of the outcomes may be explained by a weak/strong understanding of the pre-conditions of the investment and/or a weak/strong process in relation to its implementation in terms of consultations, mobilisation, training etc. Such a model makes it possible to distinguish between the impacts of pre-conditions and processes for the outcomes, e.g. a project with a good analysis of the pre-conditions may still have negative and unintended outcomes, if the implementation process is flawed. For all assessments of investments, however, there have to be a strong reliance as well on contextual aspects.
This investigation, as explained above, is a desk study and thus does not include any visits to the sites of the investments analysed. The World Bank (World Bank 2008 and Deininger et al. 2011) and the FAO (2013b), are among the few institutions with resources and outreach to conduct field studies with broad coverage. This discussion paper relies on secondary sources of various characters and some interviews with knowledgeable persons about the investments and contextual factors (see acknowledgements). All these sources of knowledge have been helpful for the implementation of the study. The numerous comments on the first draft of the study (17 October 2013) have as well been important for its final phases.

The author had, however, to a large extent to rely on his experiences as a researcher and consultant in identifying and analyzing relevant empirical material relating to the broad topic of the study, including various evaluations and monitoring activities of the large scale agricultural investments chosen for inclusion in the study. As emerges from the study and its reference list knowledge and insights of a number of researchers and institutions have been helpful for the analysis.

The large-scale investments evaluated relate to different countries and continents (Africa and Latin America), different crops/commodities and different types of investors – a large corporation, church organisations and a pension fund. Hence there are large variations in contextual factors to take into account. The analysis of these large-scale investments attempts to present empirical material, representing different perspectives that can capture economic, organisational, social and environmental/climatic aspects. The paper attempts to identify views and perspectives on the investments, based on research but as well on available studies and evaluations organised by the investor(s) and NGOs that often pursue an alternative understanding.

The empirical material analysed show that different notions exist regarding large-scale agricultural investment. Investors emphasise the potential for win-win outcomes, while NGOs to a larger extent are biased towards win-lose or lose-lose outcomes. In fact, the discussion paper shows that all investors claim the potential for win-win outcomes, i.e. that investors, host states and rural communities, producers and workers will all gain from the investment.

It is hard to substantiate these claims, since one of the investments – that of Addax Bioenergy in Sierra Leone – has not yet initiated production of sugar cane/ethanol. The Addax case shows, however, that it is highly relevant to discuss the pre-condition, process, impacts
and outcomes of a large-scale agricultural investment even before production gets under way. This is because the identification of and access to land and the consultation processes surrounding the investments often generate uncertainties and insecurity among part of the local population. As well it offers some understanding about the host government’s and investor’s perceptions of pre-conditions for and the implementation process connected with the investment. Such insecurity is documented among the local population in both the African based investments, and in particular among people living inside or adjacent to the investment sites.

This type of scenario can emerge in spite that lots of efforts are expended by the investor in the planning and early phase of implementation, as was done by Addax Bioenergy. When investments not only cross spatial, but as well cultural boundaries, the potential for misunderstanding is also great. In most projects of such character it leads to problems of ‘managing expectations’ on the ground, as this report will show. For the case of Addax Bioenergy's investment in Sierra Leone, NGOs that evaluated it, say that the investment is one of the best (probably the best) that they have investigated, but problems still occur. This discussion paper attempts to present different perspectives on these problems and how to address them.

In some cases problems related to the initial phases of the investment can lead to conflict in later stages. This happened with the large-scale forest plantation in Niassa in northern Mozambique. Here the empirical studies show that the investment by GSFF and the Chikweti company did not pay sufficient attention to potential problems relating to land access and the consultation processes associated with the investment. This discussion paper primarily analyses the failed developments of this investment until 2011, when the diocese of Västerås, the lead investor, was forced to write down the value of its investment by 25 per cent and to start afresh with new leadership at both board and management level. Information about the post-2011 process of the investment shows that it has taken a more constructive path and that relationships with people in the adjacent communities have improved. The win-win notion of the investor, however, remains.

The large-scale agricultural investment in Brazil by the Second Swedish National Pension Fund, AP2, has been difficult to assess, since, for commercial reasons, AP2 refuses to disclose the locations of the investment made through the international investment company TCGA and with assistance from the Brazilian company Radar. The analysis contained here thus has to take a more general and contextual
pathway, and try to gain an understanding of the conditions, processes and potentials/problems of the sector in which AP2 is investing, in particular the biofuel/energy sector. The argument here is that AP2 and most stakeholders would probably gain from AP2 being more transparent about its investments – after all, it is the management of Swedish pension funds we are talking about.

The three case studies of large-scale investment addressed here reflect similar discussions and findings to those from recent case study research by the FAO in Africa, Asia and Latin America on the trends and impacts of foreign investment. The FAO suggests that, for investments involving large-scale acquisitions in countries where land rights are unclear and insecure, the disadvantages often outweigh the few benefits to the local community, especially in the short run. It is further stated that this outcome is even more likely when the land acquired was already being utilised by local people, either on a formal or an informal basis. Consequently, the acquisition of already utilised land to establish new large farms or investments should be avoided, and other forms of investment should be considered (FAO 2013b). The FAO study also concludes that, even from the investor’s perspective, business models that do not involve the transfer of land control are likely to be more profitable (FAO 2013b).

The next section of the paper brings out the recent history of guidelines for agricultural investment. This history goes back to 2008/9, when rapidly increasing food prices, triggered by the global financial crisis, coincided with a rise in the global interest in land-based food and energy investments and a growing concern for the climate. An overview of the stakeholders involved and of the various voluntary guidelines that were developed offers a better understanding of why there was a need for new consultations and negotiations connected to the current rai process. The final sections of the discussion paper present the objectives and principles, including the different parts of the rai principles. This is done with reference to the rai Zero Draft, which was published in August 2013. The rai Zero Draft outlines four major parts and a total of eight principles within these parts. The parts include: (i) food security, nutrition and sustainable development and the progressive realisation of the right to adequate food in the context of national food security, (ii) policy coherence and sector development, (iii) governance, grievance mechanisms and accountability and (iv) review and accountability.

There is no sequencing of the parts and principles in terms of their importance for achieving the overall objectives of rai. The discussion paper goes on to suggest that relevant experience and knowledge
should be used more consciously in order to arrive at rai principles that could become more efficient. A set of critical questions and answers to the rai process is developed, which leads to a suggestion about how rai principles could be made more responsible and efficient. In so doing, the discussion paper adds more substance and offers a better option for sequencing the principles, so that they may achieve their overriding objectives. It is hoped that the stakeholders at all levels who are involved in the current discussions and consultations about rai will read and analyse these suggestions with an open mind as to how the ideas presented could inform the rai process.

Likewise, the discussion paper, with reference to the discussion and suggestions for modification of the rai principles presented in the Zero Draft, takes a step in the direction of suggesting more concrete guidelines for the implementation of rai principles. The rai and the associated guidelines could thus inform strategies and policies relating to the promotion of land based agricultural investments that could assist in the rural transformation in developing countries that also enhances food security and nutrition in a sustainable way. The discussion paper concludes that concrete guidelines to this effect will provide important inputs into the broader rai process so that its outcome makes a difference for people “on the ground” and not just add weight to the book shelves in the offices of the various stakeholders involved.
1. Introduction

The international peak in food prices in 2008-09 contributed to and highlighted the recent rush for agricultural lands in various parts of the world, although it was not its only cause. After decades of falling food prices, they suddenly rose, and remained high. This led to increased hunger and poverty for many. By 2010, the number of food-insecure people in the world exceeded one billion, then gradually dropped to the current level of 842 million (FAO 2013a). Rising food prices also have the potential for improved incomes and living conditions for both poor and rich farmers. This may be a promising development, since poverty in low-income countries is still most widespread in rural areas, where people primarily depend on agriculture in one way or another for their livelihoods.

When agricultural prices soared, in particular after the global financial and economic crisis in 2008, so did investments in agricultural lands. Whether these are viewed as ‘productive investments’ or ‘land grabbing’ depends on whether they are conducted according to laws, rules and regulations or not. However, there is wide consensus that investments in agricultural lands should be made in a ‘responsible’ manner in order to minimise negative social and environmental consequences, and to maximise and share the resultant benefits among stakeholders. Responsible agricultural investments, according to the current process of developing new, voluntary rai principles, are meant to “enhance food security and
nutrition, reduce poverty and inequalities, promote sustainable agriculture and food systems development and to contribute to the progressive realization of the right to adequate food in the context of national food security” (CFS, Zero Draft August 2013:1).

How can we understand voluntary principles and guidelines?
In a more general context what purposes do such voluntary principles and guidelines serve, and why has this particular form been chosen? Principles and guidelines for action serve the purpose of coordination. Their basic function is to encourage independent actors in different contexts to behave according to certain principles. The assumption is that such behaviour can be achieved without recourse to formal legislation. Possible sanctions will be of an informal character, rather than through the judicial system.

Initiating legislation to achieve desired behaviours is a cumbersome process in the global arena. First, member governments of international organisations need to find consensus and sign an international treaty. Then, all of them have to ratify the treaty domestically and turn it into national law for the rules to come into force. This usually takes several years. Furthermore, governments need to maintain a certain capacity to monitor and sanction all actors within their territory.

Against such a backdrop, principles and guidelines appear to provide a simpler and quicker way towards implementation of the desired outcomes. An international process of consultation leads up to the formulation of principles and guidelines. They are voluntary, but since they have been accepted within a relatively broad consensus, there are sometimes reputational costs for not adhering to them. Some claim that ‘naming and shaming’ may be effective in making corporations and governments behave in desired ways.

Another possible difference between legally binding rules and voluntary principles and guidelines is that the latter are more general. Laws need to be precise in defining where they are applicable and to whom. Principles and guidelines may be applied to a larger and more varied set of actors and in more generalised situations and contexts. Guidelines take the principles one step further by making them more concrete, thus providing a basis for strategies and action.

The issue is, however, somewhat more complex. Whereas legally binding rules come with legal sanctions, adherence to principles and guidelines is voluntary. If monitoring is weak, abuse of principles and guidelines may go unnoticed at the level where sanctions are possible, and there are no consequences connected to the abuse. Even where
non-adherence is noticed, the cost of abuse may still be limited, depending on the reactions of other stakeholders.

The issue of power and influence is at the heart of the distinction between legally binding rules and voluntary principles and guidelines. The former are not negotiable, and if broken, lead to punishment. However, principles and guidelines may under certain circumstances be just as influential as legally binding rules. When the actors are many and diverse, to a large extent influence is gained by those who set the standard, define agendas and frame the problems. Principles and guidelines, if they are widely adopted, may influence the behaviour of a broad set of actors. If they manage to capture a wider range of problems and debates, they may well be more important for the actual outcome than legally binding rules. However, everything depends on the context, including the efforts directed at monitoring and follow-up.

The concept of responsibility

The rai principles aim at responsible agricultural investments, but what does responsibility imply? ‘Responsibility’ is a relational concept, to be understood within a context. It implies acting in a way that is socially desirable, and also taking responsibility for the consequences of one’s actions. Hence, one first has to know what is socially desirable in certain contexts, and understand the possible consequences of action.

Thus, in order to understand what ‘responsible’ investments in agricultural lands are, one has to know something about how such investments affect local societies, other stakeholders and the environment. Knowledge about social, environmental and economic processes related to the investments is thus central. Based on such knowledge, it is possible to draw normative and ethical conclusions about what constitutes ‘responsible’ behaviour. Principles for responsible investments in agricultural lands need to be evaluated against this body of knowledge.

This study will describe and discuss the background and evolution of recent rising global interest and investment in farmland. The discussion will also explore the relationship between investments and trade, the character of and impacts of foreign direct investments, land investments and rural organisation in sub-Saharan Africa, including a description of smallholder production regimes. The major part of the discussion of large-scale land investments is based on analysis of three cases of agriculture and forestry investments in low and middle income countries in which Swedish actors are also involved. Subsequently the report focuses on the process of
principles for responsible agricultural investments. This will serve as a basis for providing inputs into on-going international consultations on the formulation of rai principles and guidelines for responsible agricultural investments. The last section of this report proposes, based on the modified rai principles suggested, a set of more concrete guidelines for responsible agricultural investments. Such guidelines are seen as necessary in order for increasing the potential for the principles to become efficient. It is hoped this study will contribute to further reflection on and discussion of the principles and guidelines and the important issues associated with them. International consensus has been easier to generate around principles as compared to guidelines, since the latter are more concrete and requires that critical choices have to be made. Guidelines may therefore provide a better basis for policies that can lead to concerted actions and activities. This can be of great importance both to the governments in countries where investments are made, but also to the investors themselves who then can gauge their investment or investment plans against an established frame.

Rai aims to include all investments in agriculture and the following stakeholders, governments at all levels in host states, private and public investors (both domestic and foreign), intergovernmental and regional organisations (including regional and international financial institutions), civil society organisations, research organisations and universities, donors and foundations. The Committee on World Food Security (CFS) decided in October 2012 that the rai principles should be developed and be finalised in October 2014. CFS includes, in addition to FAO’s member countries, also those of the International Fund for Agricultural Development (IFAD), and the World Food Programme’s (WFP) in addition to civil society organisations (civil society mechanism, CSM) and the private sector (private sector mechanism, PSM).

Limitations and approach of the study
This study is limited to investments in agriculture and land in developing countries. Despite these limitations, the study will address major challenges relating to the major objectives of rai, which are to promote agricultural investments that also enhance food security, nutrition and sustainable development. This is because most of the

2 Private and public investors include small-, medium- and large farmers, farmers’ organisations, cooperatives, private companies, joint ventures, chambers of commerce, trade unions, state funds, pension funds, financial institutions, commodities traders, partnership and corporations (Terms of Reference to develop principles for responsible agricultural investments, CFS, Committee for World Food Security, 2012/39/FINAL REPORT).
world’s food-insecure people live in developing countries, in particular South Asia and sub-Saharan Africa. Suggestions for improvements to and modification of the rai Zero draft of August 2013, need to be based on experience and knowledge, of which this report constitutes one part. By taking such a path, I assess that it may be possible to enhance the relevance of the rai principles and associated concrete guidelines and move in direction of the broader rai objectives. These objectives and the range of stakeholders involved clearly show the global character of the rai process. The focus on developing countries of this study must therefore refer to the global framework. In the description and analyses of small scale farmers and large scale agricultural investments presented in this study, the linkages and conflicts between the north and the south, the rich and poor and large- and small scale will emerge.

The implicit model employed for the assessment of the large scale agricultural investment case studies is to focus on pre-conditions, processes and planned and unintended outcomes, and the relationships between these elements. The character of the outcomes may be explained by a weak/strong understanding of the pre-conditions of the projects and/or a weak/strong process in relation to its implementation in terms of consultations, mobilisation, training etc. Such a model makes it possible to distinguish between the impacts of pre-conditions and processes for the outcomes, e.g. an investment with a good analysis of the pre-conditions may still have negative and unintended outcomes, if the implementation process is flawed. For all project assessment, however, there has to be a reliance as well on contextual aspects.

The investigation is a desk study and does not include any visits to the sites of the investments analysed. Some interviews with investor representatives and knowledgeable persons about the investments and contextual factors (see acknowledgements) have been very helpful for improving the case studies and the overall investigation. Likewise have the detailed comments to the first draft of the study (October 17 2013) from members of the Swedish FAO Committee and from the editorial committee of the Swedish FAO discussion paper, and from the investors themselves, other researchers and a representatives for one NGO have been important for the final phase of the study. All comments have been evaluated carefully. Some have led to further inquiry by the author in order to assess an issue or an argument more deeply or add another perspective. Many of the comments have been important for enhancing the quality of the study, and some did not lead to changes after further evaluation by the author.
2. Background and evolution of land investments

Land investments increased rapidly from 2007 onwards. Countries with relatively abundant uncultivated and non-forested land and with good agricultural potential attracted the largest interest. A mapping of some 464 investment projects in 81 low and middle income countries during a one year period in 2008-09 and covering 56.6 million has, indicated that around two-thirds of the projected land area was located in sub-Saharan Africa (Deininger et al. 2011:51). Furthermore, many of the countries receiving the investments have weak systems of formal rural land tenure and governance (Deininger et al. 2011:XXXII).

The land acquired is commonly used to grow food crops or to produce bio-energy for export. However, recent indications are that bio-energy investments have largely stalled in sub-Saharan Africa, mainly due to weaker international market conditions for agro-fuels, while some of these investments have been redirected into food crops (Abdallah et al. 2014). Investments range from small to large-scale, and sometimes involve local producers through various forms of contracts. Investors include international corporations, sovereign wealth funds, pension funds, foreign governments, private equity firms, church organisations as well as domestic businesses.

During the initial wave of the land investment boom, from 2007-09, corporate and government-related investors predominated. According to a study based on investor interviews (HighQuest Partners 2010), these investors were mainly driven by the expectation of rising food and agro-fuel demand and increased value of agricultural produce. Consequently, a set of governments, such as China, the Republic of Korea and the Gulf states, shifted their policies in direction of food security. All of them are major importers of grain and have large populations relative to their available farmland. They decided to start investing in farmland abroad for export back home in order to ensure future domestic food security (UNCTAD 2009a:121). Furthermore, the availability of water resources for irrigation, rather than just land, seems to have been the primary driver of these investments (UNCTAD 2009a:121; Jägerskog et al. 2012; Olanya 2012).

Gradually, as the food price crisis unfolded, institutional investors, such as hedge funds, pension funds and portfolio investors increased their farmland investments (HighQuest Partners 2010). This latter group is largely motivated by land investments as historically proven
hedges against inflation. They also seek land investments as a means to obtain real assets in times of financial turbulence, and see land and agricultural markets as better insulated from other and more volatile markets (HighQuest Partners 2010).

A study covering slightly more than 100 countries found that actual implementation of land investments is negatively correlated in terms of a yield gap between what is produced and what theoretically could be produced on a certain area of land (Deininger et al. 2011:54). The latter correlation implies that in countries with low agricultural productivity, investors need to overcome several challenges in order to maximise their investments (ibid.:55). This will be further exemplified in the discussion of investments in Sierra Leone and Mozambique (see chapter 8).

While a rapid increase in investments is a clear trend (Deininger et al. 2011; Oxfam 2011), the actual numbers and size of investments are ambiguous and current estimates vary considerably. The World Bank has estimated, based on media reporting, that more than 56 million ha were leased during a one-year period (2008-09), while the Land Matrix Partnership, a research consortium of NGOs, academics and donor organisations, claims that as much as 227 million ha may have been sold or leased in the Global South over the past decade (Oxfam 2011). Most other estimates, based on extrapolating data from investment authorities in groups of individual countries, are more conservative. This discrepancy is linked to great uncertainties about the extent of investment implementation. It is likely that many leases are still pending or have not yet been brought into production as investment processes are cumbersome and include mandatory negotiations with local authorities and populations in some countries.

These preliminary figures may be compared to long-term trends in agricultural land expansion. From 1961 to 2007 the total global area under agricultural cultivation increased annually by 3.8 million ha. This average includes decreases in industrialised countries and transition economies, and increases in developing countries of 5 million ha annually. Over the last decade, the acreage in China under grain has declined by 20 per cent. Recently, it was reported China had bought 3 million ha of land in Ukraine equal to the size of Belgium for the production of food for export to China (Channel 4 News 2013). Most of the recent expansion in agricultural land (1990-2007) occurred in sub-Saharan Africa, which witnessed an annual increase of 2.4 million ha. However, here most of the increases in agricultural production came through area expansion. In other parts of the world, yield increases have dominated over area expansion (Deininger et al.
Irrespective of the uncertainties surrounding the statistics on recent land investments, the conclusion is that this wave differs from past trends. There are new types of investors that did not figure earlier, and the focus is to a large extent on Africa, where land investments of such magnitude and character were absent earlier, and where land governance is weak (Deininger et al. 2011:70; Matondi et al. 2011).
3. Why investment, not trade?

Why do all these companies, sovereign wealth funds, governments and other investors choose to invest in land, rather than trade in food products and agriculturally related stocks and futures? There seems to be distrust that current landholders will provide the desired output effectively through trade. But what is the basis of such distrust? Why are investments suddenly the preferred option in relation to agricultural land?

In the theoretical literature, Foreign Direct Investment (FDI) is generally seen as the result of differences in production factor (land, labour and capital) prices between countries; or of geographical proximity to new markets; or of access to key resources for production or marketing; or of hedging and diversification of investment portfolios. Such differences among countries prompt firms to relocate their production either by acquiring or creating local subsidiaries. Differences in prices of production factors may be due to different factor productivity and different remuneration (UNCTAD 2011). To produce competitively, the foreign firm must possess specific assets in the form of knowledge, technology, organisation, management or marketing skills that make investment more profitable than trade (Blomström and Kokko 2003).

A further reason investments, rather than trade, are undertaken is that some impediment to the full realisation of the firm’s advantage may be overcome by direct presence in the foreign market. Historically, FDI was mainly seen as a substitute for trade, especially where protectionist policies made local production more profitable than trade. Currently, FDI is more usually perceived as a complement to trade, since one can lead to the other. The most common explanation of why FDIs occur is that some market failure makes it hard or impossible for the firm to protect its specific knowledge or other assets. In such cases, the firm chooses to internalise certain transactions in order to protect its technology, its brand or its marketing advantages (Görg and Greenaway 2004:173).

Furthermore, FDI is often perceived by host countries as a better alternative to purely financial investments. This is because direct investments bring both working capital and technology, which create jobs and knowledge transfer. Unlike financial investments, FDI tends to generate long-lasting infrastructure. If foreign investors were to cash in and sell the investment, the capacity would normally remain in the receiving country. However, Krugman (2000) criticises such
arguments in his work on FDI in the post-Asian crisis context. When financial crises occur, he argues, foreign investors can take advantage of the fire sales of assets by liquidity-strapped domestic investors. In such cases, foreigners tend to be less efficient than domestic investors, since foreigners acquire local firms because of their superior position, not because of their special know-how or technology advantage. A third outcome has been evident in export processing zones, EPZs, in Kenya, namely for companies to simply depart when the tax holiday expires and for their activities to come to a halt in the country.

Hanson (2001:10) refers to Dunning (1993) in summarising the advantages of FDI:

a) The ownership advantage (the foreign firm possessing some unique and mobile asset);
b) The location advantage (cost efficient for the foreign firm to produce abroad, rather than in its home country);
c) The internalisation advantage (cost efficient for the foreign firm itself to control the asset’s exploitation).

Looking at the reasons for land acquisitions in low-income countries as they have evolved over the last few years, it seems that they are largely linked to the location and internalisation advantages. Low land prices, good access to water, poor governance of tenure systems combined with firm control of production emerge as reasons for many investments. These are benefits for the investors. What has been overlooked over time is benefit-sharing with host countries and host country societies, as well the negative impact of poor tenure governance systems in the form of delays and conflicts, on the process of investment itself.

**What drives direct investments in low-income countries?**

A widely held view of economic convergence between countries predicts that capital should flow from capital-abundant to capital-scarce economies. This is based on the idea that capital becomes relatively less profitable the more it is used (‘decreasing marginal revenue’). Yet, this has typically not been the case. The higher risks faced in emerging economies and benefits of the advanced infrastructure and institutions in richer economies and favourable business environment can explain why the bulk of FDI has typically been concentrated in developed economies.

Until the 1990s, there was fairly wide consensus as to what factors made transnational companies (TNC) invest in certain locations. The
most important was held to be market size and level of real income in the host economy. Other important factors were skills levels in the host economy, infrastructure, resources facilitating efficient production, open trade policies as well as political and macroeconomic stability (Blomström and Kokko 2003; Globerman and Shapiro 2002). Some of this is still valid. Mhlanga et al. (2010), in studying the Southern African Development Community (SADC), find that market size is a positive determinant of FDI flows.

In a study covering 33 countries in sub-Saharan Africa and South Asia between 1976 and 1995, Azémar et al. (2004) found that public governance – defined along five coordinates – explained about 90 per cent of the difference in inward FDI levels between the two regions. In particular, it is macroeconomic stability and the provisioning of public goods (infrastructure, health and education services) emerge as the most important factors, while civil and political rights and socio-political instability seem to be less decisive to the inflow of FDI (Azémar et al. 2004:43).

However, with the increasing internationalisation of the world economy alongside increased regional integration, the role of market size in FDI inflows seems to have decreased. Smaller countries now stand greater chances of attracting FDI associated with international production networks (Blomström and Kokko 2003). The segmented manufacturing of components and the increased importance of regional and global value chains for the organisation of production also make immediate access to consumer markets less important.

As a consequence of this shift, an increasing number of countries have concluded that it is essential to offer incentives of some kind to potential investors. Some empirical support for this position has been found (Taylor 2000), although others claim that the effects of such ‘beggar-thy-neighbour’ policies tend to be limited in duration and scope (de Mello 1997:5). In the mid-1990s, more than 100 countries offered various incentives for FDI, and more countries have followed suit. Such incentives are most common in industrialised countries. However, they have also spread rapidly to low-income countries, often in the form of tax holidays or other options that do not require direct financial expenditure.

One way to attract foreign investment is by establishing EPZs with long-term tax holidays, negligible tariff levels, ample infrastructure and access to cheap labour. EPZs exist right across continents but primarily in emergent and less developed economies, for instance in Kenya, where foreign firms in EPZs enjoy ten years of tax holiday. Experience shows that when the holiday ends, the companies either
leave the country or are sold so that the new owner can continue operation with another ten year tax holiday (Al Jazeera, 29 September 2013).

Mozambique. Felling the trunk of a Tule tree. Photo: ©FAO/Jon Spaul
4. Effects of foreign direct investment

It is claimed that when FDI takes place, it increases the national income of the host country and creates employment opportunities. FDI may raise the size of capital stock of the host country, while simultaneously contributing to improved balance of payments and to an increased quality of the capital stock. UNCTAD describes the process like this in its 2006 World Investment Report:

If African countries are to become internationally competitive, it is essential that they strengthen the necessary linkages between their export sectors and the rest of the economy by building and fostering domestic capabilities in areas such as physical infrastructure, production capacity and institutions supportive of private investment. There have been positive developments in terms of regulatory regimes, and many African countries have signed new bilateral agreements related to investment and taxation. However, attracting quality FDI – the kind that would significantly increase employment, enhance skills and boost the competitiveness of local enterprises – remains a challenge.

The capital stock is increased by the investment – on condition that the foreign firm does not crowd out more domestic production than it brings itself (Hanson 2001:14). The most challenging part, at least for African countries, is raising the quality of the capital stock. Theoretically, two considerations are important here: by creating forward and backward linkages in the economy, the foreign investment may jump-start industrialisation processes in the host country; and by bringing improved technologies and management processes, the foreign firm contributes to increased total factor productivity. The latter effect may be both direct (through its own production), and indirect, through spill-over effects on to domestic firms.

What we have described is the general pattern. In this study we are, however, interested in the more specific effects on FDI in agriculture. Sabarjit and Dibyendu (2010) argue that flows of FDI into agriculture have unambiguously positive consequences for the receiving economy, since employment for low-skilled labour and social welfare is improved. However, various growth effects from FDI have in
reality often proven limited, even non-existent (Hanson 2001:23), and there are even cases where FDI has led to decreased economic growth (Mencinger 2003). Overall, the existing literature is divided over the potential growth effects of FDI in agriculture. Alfaro (2003) suggests that while FDI theoretically has great potential for stimulating growth in host countries, the overall effect greatly depends on the sector in which FDI is concentrated. Using a cross-country panel from 1981 to 1999, she finds ambiguous impacts on growth. She argues that FDI tends to have a negative effect on growth in the primary sector and positive effects in the manufacturing sector, while the growth effects from investments in the service sector are unclear.

Sudan. An extension forester uses a diagram to discuss the many uses of trees and the importance of planting them. Female foresters are a great asset in a country where women often cannot have direct contact with men from outside their community. Photo: @FAO/F. McDougall
5. Foreign direct investment, economic growth and spill-over effects

The descriptions above show that FDI has rather limited positive effects, at least in agriculture. But is this the full story? Under what circumstances might FDI lead to economic growth? Some studies point to positive growth effects in higher-income countries only (Blomström et al. 1994), whereas others claim that the trade policy pursued by the host country influences the growth result (Bhagwati and Srinivasan 1978). However, clear patterns are hard to establish. Lipsey (2002) summarises the discussion well: “... in general, the result of these studies indicates that the size of inward FDI stocks or flows, relative to GDP, is not related in any consistent way to rates of growth” (Lipsey 2002:55).

Borensztein et al. (1998), Xu (2000) and Alfaro et al. (2003) all point out that the level of education and the stage of development of the local financial market play major roles in allowing FDI to promote growth in the host country.

Hence, the direct growth and development effects from FDI may be unclear or limited. However, FDI may still benefit host countries indirectly, through ‘spill-over’ effects. Such effects lead to productivity growth in domestic host country firms and in increased export growth (Görg and Greenaway 2004:173). But to what extent does this occur? In a meta-study of 40 different studies covering the period 1966-2000, Görg and Greenaway reported spill-over effects in about half of the studies, no effects in more than a third, and negative effects in a few studies (Görg and Greenaway 2004:177ff). An example from Swedish development cooperation history which generated spill over effects over time, was the Bai Bang paper factory in Vietnam. Heavily criticised in its early stages, this project later came to stand out as a nucleus for technological development in Vietnam. It must, however, be added, that the socio-economic situation also changed considerably during the period in question (Van Arkadie and Mallon 2004). The neutral or negative effect results from the increased competition that the entry of foreign firms brings.
It is also possible that spill-over effects may come with time lags, or that the capacity to absorb the knowledge spill-over differs between domestic firms. Large technology gaps between foreign and host country firms may hinder or limit spill-over effects (Azémar et al. 2004:180). In general, there is limited evidence for horizontal spill-overs (Görg and Greenaway 2004:186). Against this backdrop, Blomström and Kokko (2003) argue that the investment incentives countries provide are generally not efficient as a means of raising national welfare, since spill-overs are, at a minimum, not an automatic consequence of FDI. It is only if domestic firms have a large absorptive capacity and there is geographical proximity between foreign and domestic firms that such spill-overs occur (Blomström and Kokko 2003:20).

In contrast, Liu (2006) finds that spill-over effects do come about, albeit after a costly learning process. This implies that productivity first decreases in domestic host country firms as they try to emulate the technology introduced by the foreign firm. The positive growth effects emerge only after periods of three to eight years, when learning translates into successful technical change (Liu 2006: 190ff). This, he argues, explains why many studies have found neutral or negative spill-over effects. Lui uses a framework called ‘endogenous economic growth’ (Romer 1990). This approach focuses on the continuous effects that improved human capital may provide, in addition to the one-off effects of FDI (de Mello 1997:9). The implication is that the more the host country encourages research and innovation, and the greater the value-added content of FDI production, the more FDI may contribute to growth.

Discussing the agriculture sector more directly, Hallam (2011) argues that spill-over from FDI should in theory bring technology transfers, upgrading of domestic production, quality improvements, employment creation, backward and forward linkages and multiplier effects through local sourcing of labour and other inputs and processing of outputs, and possibly increased food supplies for the domestic market and for export. However, he maintains that these benefits will not flow if investments create enclaves of advanced agriculture in a dualistic system involving traditional smallholder agriculture where smallholders cannot emulate the techniques and methods of large-scale agriculture. One could go even further, since such investments may also undermine or alienate smallholders through conflicts over land rights (Matondi et al. 2011; Cotula 2013:2).

Another aspect of technical change in agriculture has occurred in Brazil. Here, mechanisation of sugarcane production, which
was imposed by law, has led to labour redundancy and increased exploitation of the labour remaining in the sector. Ramos explains that “It has clearly become explicit that workers on sugarcane plantations have to intensify their efforts to increase their productivity, yet they have not succeeded in preventing current real daily wages from being lower that those received in the second half of the 1970s and the early 1980s. It is these efforts that ensure that a cutter’s daily pay remains higher than both the daily minimum wage

![A subsistence farmer who cultivates beans and maize on Ilha de Paratinga, Brazil. Photo: ©FAO/Franco Mattioli](image)

and the average wage of temporary workers used by plantations in São Paulo” (Ramos 2007:16).

Estimates show that one mechanised combine substitutes 120 manual cutters and only six to ten people remained on the plantation after the introduction of mechanisation. The real wages for labour are falling at the same time as the daily quota demanded of sugarcane cutters has been increasing. Currently, the level is 12 tons of sugarcane per day, if not more (Mendonça et al. 2013:16). This development has been taking place in the context of lowered productivity in the sugarcane industry from 81,585 kg/ha in the 2009-10 season to 68,289 kg/ha in 2011-12. The industry is surviving through area expansion, combined with increased subsidies from the government and other preferential policies. The Brazilian government provided Real 4 billion (SEK 1.4 billion) in subsidised loans to the sector in January 2012 to be used specifically for plantation renewal (ibid.). The government, state
banks and the sector itself are also securing international finance for the sector, including from pension funds.

Reardon and Barrett (2000:200), however, argue that FDI has been important in promoting agro-industrialisation in low-income countries, in particular in Latin America and Southeast Asia, but increasingly also in sub-Saharan Africa. FDI in agriculture has also made local producers emulate multinational firms’ management and marketing approaches. Furthermore, global meta-trends (such as income and population growth, urbanisation, political and technological changes) have contributed to increased vertical coordination, increased importance of international grades and standards, and increases in scale and concentration in low-income country agro-industries. The average size of processing firms, as well as of farms, has therefore increased (Reardon and Barrett 2000:198).

Another shift has been in the direction of increase in value added in the agri-food chain when the shares of processing and distribution have increased. A general trend is the steady increase of global value chains, where various forms of contractual relations are applied for the integration of inputs, production, processing, design and marketing. Control of these chains is usually concentrated in one lead firm, often at the retail end of the chain, or in the upper part of the chain (Gereffi et al. 2005; Gibbon and Ponte 2005).

Few comprehensive studies on the effects of recent large-scale land acquisitions in low-income countries have been published (Matondi et al. 2011; Cotula 2013; FAO 2013b). However, what is known about the motives behind many of those investments raises questions. If they are driven by the location or the internalisation advantages, and if Krugman is right in arguing that liquidity constraints can be exploited by those with large financial resources but no other advantages or assets, would growth effects occur? Would there be any benefits for host countries and host country citizens? One answer to such questions is that it largely depends on how the investments are made and the strategies and policies of states in relation to investors and to their own people. To see what challenges investors face, it is useful to
6. Land, land investments and rural organisation in sub-Saharan Africa

Land and land investments
Most land deals worldwide take place in sub-Saharan Africa. There are several reasons for this. The region boasts a relative abundance of water and land resources, available and cheap labour and very low land sale and leasehold prices. For instance, land prices in Brazil or Argentina are around USD 5,000 /ha/year (Oakland Institute 2011:29), while some lands in Ethiopia or Liberia are leased for as little as USD 2-5 ha/year (Cotula 2011). There may be additional costs involved for the investor to access electricity and infrastructure in sub-Saharan Africa. Still, land is significantly cheaper there. In addition, some of the best conditions for growing energy crops are in tropical areas, such as those in sub-Saharan Africa.

Investments aimed at improving production and marketing conditions for small-scale agriculture may provide ample opportunities for African smallholders to make productivity gains. Cultivated land in sub-Saharan Africa amounts to about 210 million ha. Rough estimates indicate that an additional 600-800 million ha of potentially cultivable land is available (FAO-IIASA 2000; FAO 2009). However, given that most of these lands are currently put to ecosystem or other uses (forest, savannah, tourism), carry other forms of user rights or are situated far from markets and infrastructure, a more adequate figure of potentially available land is about 65-70 million ha (FAO 2009; Bruinsma 2009). A World Bank study uses another approach. By calculating the ‘yield gap’ between actual and potential productivity of lands, the authors arrive at a figure of 201 million ha of additional available agricultural land in Africa, lands where the population is also less than 25 inhabitants/km² (Deininger et al. 2011:XXXIV).

For decades, agriculture in Africa has advanced at a much slower rate than in other parts of the world and with substantially lower productivity. In signing the Maputo Declaration on Agriculture and Food Security in July 2003, African governments committed
themselves to set aside at least 10 per cent of government budgets for agriculture and rural development within five years. Although some progress was made towards that objective, only eight countries achieved it. Others took longer to do so. The political commitment to increase agricultural production and productivity was made even clearer by the signing by the 26 African governments of the Comprehensive African Agricultural Development Program (CAADP) Compact in 2007.

One means of achieving increased agricultural productivity is by introducing new techniques through international investments. With the arrival of foreign investors, the rapid introduction and propagation of efficient cultivating techniques may occur, if the investments become properly integrated into the local economy. This is one reason most sub-Saharan governments are eager to attract international land investments.

However, there are many preconditions for agricultural investments to be successful. Among these are infrastructure, research and development, relevant education, absence of price distortions, secure property rights and macroeconomic balances (Deininger et al. 2011:42). Early indications are that very few new agricultural technologies and practices actually spread to surrounding farmers from large-scale investments (Daniel and Mittal 2009). Recent land investments generally also achieve lower than expected job creation (Deininger et al. 2011:61). At times, they may lead to major labour redundancies, as in
the sugarcane sector in Brazil (Mendonca et al. 2013).

The method of estimating availability of farmland based on the measuring of ‘yield gaps’ implies that many countries in sub-Saharan Africa are seen as having large tracts of suitable agricultural land available. Looked at differently, land investments are attracted to countries with large numbers of smallholders cultivating with low productivity on plots that often carry bundles of different user rights, which are seldom formally recognised and enforced. Furthermore, these countries often suffer from weak state capacity to implement and monitor rules and regulations for land investments – even where relevant legislation is in place. In such contexts, external investments are likely to face problems and challenges in attaining their objectives (refer chapter 8 of this report and FAO 2013b).

Rural organisation in Africa

Agriculture and rural life remain the backbone of African societies, despite increasing urbanisation. The majority of the continent’s population still live in, or are closely connected to, rural areas. They rely on agricultural production, often in combination with the production and management of other natural resources, both for domestic food consumption and as a source of income. Furthermore, agricultural production forms the basis of the export economies of most African countries. In terms of area, agricultural land and landscapes dwarf the areas taken up by urban and peri-urban settlements. Agriculture and rural areas are not only linked to physical production, but also constitute vital aspects of people’s lives and livelihoods in terms of culture, identity and sense of belonging. In that regard, ‘the rural’ is an important and complex space for social, economic, cultural and political relations, production and their interlinkages.

In most African countries, there are wide discrepancies in urban and rural poverty. These result in increasing migration from rural to urban areas, even though people remain dependent on their relationships and connections to rural and natural resource environments and assets in multiple ways. Access to land and other natural resources, the nature of tenure regimes, the absence or availability and character of infrastructure, financial and social services, the framework of multiple and different rural institutions and the dynamics of power relations are critical dimensions of rural lives and livelihoods.

People who experience poverty in rural settings should not be seen as objects and passive victims of situations beyond their control. They should rather be seen as subjects and actors who struggle and
strategise to put their limited resources to use in ways they judge will minimise risks and lead to improved livelihoods, or at least not deeper poverty. In many ways Africa smallholders can be considered to be potential entrepreneurs. From a local perspective, the nature of poverty is invariably multidimensional, situation-specific and dynamic. Furthermore, poverty and chances to escape poverty are strongly influenced by factors such as sex, age, ethnic or other cultural origin, as well as where and how people earn a living. Economic diversification is a key characteristic of poor people’s efforts to secure their livelihoods in rural areas. The strategies and outcomes are bound to differ depending on the combination of resources at hand, between internal and external processes of change and the options and capabilities available for the individuals, families, households and communities striving to maintain or improve their livelihoods.

In most parts of the continent, agriculture and rural livelihoods are dominated by smallholder production regimes characterised by (i) a focus on subsistence production, (ii) the significant role played by women, (iii) low levels of productivity and high levels of poverty, (iv) deepening environmental and natural resource degradation, and (v) a high degree of uncertainty, insecurity and vulnerability, including lack of legal empowerment. Agriculture – and rural life more generally – is both informed by these aspects and generates different forms of exclusion and inequality that include gendered divisions of labour and resource control, as well as unjust resource regimes.

The range of rural and agrarian settings and the patterns of property, production and power are highly diverse across the continent and even within individual countries. In addition, rural forms of production and livelihood systems are gradually changing in response to a combination of national policy environments (e.g. economic liberalisation and decentralisation) and local processes of change on the one hand, and aspects of globalisation on the other. These changes tend to go in the direction of non-agricultural diversification, linkages with vertical production and trading systems, as well as different forms of mobility that connect with urban dynamics and domains beyond national borders.

The situation is furthermore compounded by various state projects, multinational and private enterprise initiatives and church-initiated projects that may accelerate large-scale displacements of smallholder or rural populations and alter their livelihood security and production regimes. People’s limited exit options from rural areas contribute to the expansion of the informal urban settlements and livelihoods that often characterise complex urban-rural linkages.
Processes of agrarian change and the deepening of rural-urban linkages are also affected by new trends in rural markets and the mobility of people, and by the openings and closures of international trade regimes. On a national scale, African states are increasingly made to subscribe to conditions of trade and exchange, investments and labour that provide benefits for external stakeholders. However, such conditions seldom support broader processes of rural and national poverty reduction and development. Changes in domestic agricultural markets often weaken social embeddedness and intensify formalisation processes.

Indigenous institutions play an important role in rural areas. They are flexible in character and have developed over time to guide division of labour, provide access to and ensure sustainable management of natural resources and promote social cohesion. They also define how land and other resources are managed. Redistribution, reciprocity and non-monetary forms of exchange are central to survival and security, but also for reinforcing specific forms of exclusion. At the same time, promotion of new institutions and pressures towards commercialisation, formalisation and modernisation present multiple challenges for local communities. Such new institutions contradict or compete with indigenous institutions and norms (Berry 1993). Rural people therefore often attempt to secure their livelihoods and survival at the interface between indigenous and modern or formalised institutions. This interface is characterised by ambiguity, negotiation and struggle that bespeak vulnerability and insecurity, but also opportunities. The outcomes are, however, uncertain. Empirical investigations are required. Land and water are among the central features of this interface. The understanding of their multiple roles, production and symbolism, and the complexity of accessing these and other natural resources, is central to insights into rural societal dynamics and the
potential for poverty reduction and productivity enhancement.

7. Smallholder agricultural production regimes/farming systems

In this part of the report, the focus is on smallholder farmers. The main reason for doing so is because the current process to develop principles and guidelines for responsible agricultural investments (rai) emerged largely because previous attempts were judged to have given smallholders inadequate consideration. Smallholders are different from both large-scale agriculture and land labourers. What distinguishes them is the centrality of the family unit both for production and consumption. Family labour is used, which means there is little, if any, wage labour. Smallholders also perform multiple functions – economic, social and cultural – through their farming and off-farm activities, both. In addition, the land they cultivate is obviously small in relation to even medium-sized farms in their area or country, but what is meant by ‘small’ differs from one context to another.

When measured as farms cultivating less than 1 ha of land, 73 per cent of the farms in the world are small, according to a study based on statistics from 81 countries across all continents (HLPE 2013:27). The largest share of smallholders is found in China (93 per cent), followed by India, ‘Other Asia’ and Africa (all in the 57-63 per cent range). In Europe and in the Americas, farms below 1 ha constitute 30 per cent of the total or less. The average size of farms is declining over time in China and Africa. The threat to smallholders is particularly strong in Africa: “25 per cent of the small-scale farm households in the countries surveyed are approaching landlessness,” claim Jayne, Mather and Mghenyi (2010), based on their study of Ethiopia, Malawi, Kenya, Mozambique, Rwanda and Zambia. This finding challenges the claims of high availability of unused or extensively cultivated lands in Africa. The alienation of African smallholders should be seen in the context of increasing land inequalities and in relation to increased competition for lands with good access to water, urban markets, infrastructure and services (Olanya 2012, Jägerskog et al. 2012; HLPE 2013:31).

Beyond size, there are wide variations among smallholders.
Some could be described as rural residents, since they mainly farm for subsistence. Others cultivate chiefly for the market and are commercially oriented. In practice, they may function as enterprises and may be highly productive in terms of area and labour. Research from several African countries indicates that around 10 per cent of smallholders belong to this category (Djurfeldt et al. 2005). Many variations exist between these extremes.

Over the years there has been a debate about the efficiency of scale in agriculture. Smallholders have often been found to cultivate more efficiently than large-scale farms (Binswanger and Pingali 1988; Coulson 2013). This depends, however, on the kind of smallholders in focus. In sub-Saharan Africa generally, where smallholders dominate, agricultural labour productivity is lower than in other parts of the world. In Brazil, by contrast, according to the 2006 Agricultural Census, large landowners and agro-businesses dominate and cultivate 76 per cent of agricultural land, whereas they contribute 62 per cent of the annual gross agricultural value. Smallholders across Brazil, who cultivate 24 per cent of the land, contribute as much as 38 per cent of gross annual value of agricultural production, including the major share of food production. In addition, smallholder farms are much more labour intensive than large-scale holdings, employing 15 persons per 100 ha cultivated, while large-scale agriculture employs 2 persons (Fernandes et al. 2012). The UN Special Rapporteur on the right to food, argues that the coexistence in Brazil of both a competitive agro-industrial, export-focused sector and a family agricultural sector that is responsible for the greater part of the domestic market while also contributing to exports has, “served the country well in different contexts.....Brazil should therefore continue to promote family agriculture, and ensure that it is afforded the support required to face the challenges of an eventual liberalisation of agricultural trade” (De Schutter 2009b:18).

The UN Special Rapporteur on the Right to Food, however, as well refers to the heated debate within Brazil about the conflictual relationships between large scale agriculture and family farming. His argument is to welcome such a debate, but “it should take into account not only the question of productivity per hectare or per active labourer, but also the environmental and social dimensions of farming” (Ibid.:16). Brazilian researchers on their side, including Fernandes et al. 2012 and Mendonca et al. 2013, have in their research pointed to the negative trends as regards social concerns and yield, i.e. area productivity in large scale sugarcane cultivation from 2009 onwards. However, overall area productivity in Brazilian agriculture
has shown great increases, in particular in the centre-eastern part of the country (Klink 2013).

On the environmental side, findings from the period 2005 - 2010 show that greenhouse gas emissions (GHG) in Brazil was reduced by 38 per cent, from 2.03 billion ton of CO2eq to 1.25 billion ton of CO2eq. This took place mainly because of decline in deforestation in Brazilian Amazon in the period. On the other hand from 2005 to 2010 GHG emissions from Brazilian agriculture as a share of total GHS emissions, increased from 20 to 35 per cent. This made agriculture the major sector of Brazilian GHG emissions in 2010 (Nobre 2013). Since large scale agricultural expansion into new areas has a been a characteristic feature of Brazilian agriculture during the period in question, it is likely that this form of agriculture also accounts for the major share of the negative climate change connected with the sector. Recent reports, however, show that deforestation in the Amazon increased by 28 per cent during 2013, however from a low level (BBC World Service, November 15 2013). This may indicate that the New Forest Code which granted amnesty to 58 per cent of Brazil’s deforestation before 2008 (Rajao 2013; Soares-Filho et al 2013) has given the wrong signals by government and may possibly lead to a break in trend of declining deforestation in the Amazon. Rajao et al. (2012) have also pointed to the negative experiences as regards deforestation connected with the system for environmental licencing of rural properties outside the Amazon, i.e. in Mato Grosso.

In spite of this labour-intensive character, smallholder farms may utilise their labour force more efficiently than large-scale farms, as their costs for supervising labour are lower. However, the most important reasons small-scale agriculture may be more efficient are agronomic (Coulson 2013). For instance, intercropping of different plants may provide shadow and better microclimates for plants, nitrogen fixation from the air to the benefit of other plants and less damage from pests and diseases because of lower uniformity. There are also gains to be made in terms of less weeding in some cases of intercropping. Furthermore, the use of animal and plant manure lowers input costs, and simpler forms of mechanisation may be efficient on soils of varying quality. In sum, a variety of agronomic factors taken together may make smallholder farming more efficient than larger scale farming. However, the end result depends on how farming is organised, which cultivation techniques and farming systems are used and how efficiently factor and output markets are working.

One way of structuring the description of smallholder farms is to
look at their entitlements in terms of assets, functioning markets and functioning institutions. When smallholders have access to certain assets, they may use them as collateral for obtaining credits, and they may also access more effective cultivation techniques. Hence, their productivity has a potential of being raised through such mechanisms. But assets are not sufficient for smallholders to be successful. It is only when, in addition, they have access to functioning markets that they may translate their productivity and production into higher incomes. Furthermore, markets need to enable smallholders to participate on an equal footing with other actors. Clearly defined standards and qualities, accepted and enforceable rules for conflict resolution and enforcement of sanctions are desirable. However, the cost of certification and attaining certain standards is generally high and has for this reason the tendency to exclude smallholders.

All the above elements constitute the institutions that are necessary for markets to work properly. Other institutions include rules and functions needed to hinder gender, class or ethnic factors as expressed in terms of agricultural markets, tenure security or property rights.

When smallholder farms are structured around their access to assets, markets and institutions, eight possible combinations emerge, and these illustrate various categories of smallholder farms. These should be seen as typical cases, and do not exclude other possibilities (HLPE 2013:43). The table, clearly shows that some of the characteristics ascribed to farmers themselves most likely are linked to contextual factors.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Market</th>
<th>Institutions</th>
<th>Characteristics of case</th>
</tr>
</thead>
<tbody>
<tr>
<td>+</td>
<td>+</td>
<td>+</td>
<td>Well-functioning, highly productive family farms</td>
</tr>
<tr>
<td>+</td>
<td>+</td>
<td>-</td>
<td>Insecure farmers, ‘traditional’/status quo, low investments</td>
</tr>
<tr>
<td>+</td>
<td>-</td>
<td>+</td>
<td>Stagnation, diversification of activities into off-farm</td>
</tr>
<tr>
<td>+</td>
<td>-</td>
<td>-</td>
<td>Stagnation and insecurity, de-investments ‘consume own farm’</td>
</tr>
<tr>
<td>-</td>
<td>+</td>
<td>+</td>
<td>Poor farmers may work hard to improve livelihoods</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>+</td>
<td>Subsistence only</td>
</tr>
<tr>
<td>-</td>
<td>+</td>
<td>-</td>
<td>Rising expectations and frustration, possibly illegal cultivations</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Poverty, hunger, no long-term vision</td>
</tr>
</tbody>
</table>

Source: HLPE 2013:43, + indicates the existence and – the non-existence of the factors
weak, they constitute major hindrances for smallholder farmers to develop. However, such a statistical perspective does not capture well historical trajectories, dynamic evolution or local context. Moreover, to understand smallholder farming systems, it is crucial to envisage the wider framework within which they are placed. Unlike the situation in many Latin American countries, India and parts of Africa agriculture is largely dominated by smallholders. This situation is changing in countries where labour opportunities in other economic sectors are increasing and large-scale farms are increasing. In parts of Europe and Canada, but also parts of Asia, smallholders still play central roles in providing ecosystem services, mitigating greenhouse gas emissions, conserving biodiversity and maintaining landscapes. In other settings, smallholders are pushed to the margins, and in fighting for their survival they destroy the environment, e.g. through deforestation to expand their agricultural acreage (HLPE 2013:57).

Contexts and frameworks differ distinctively between countries and continents. Some smallholders live in countries with strong state-led strategies, some in systems with heavy subsidies and others still in contexts where policies of deregulation and laissez faire dominate. It may nevertheless be noted that similar policies have been promoted in low-income countries over the past few decades by International organisations, the donor community and country governments that (i) focus on increased production through technical packages rather than broader improvements to farming systems and markets; (ii) reduce or withdraw state involvement in agriculture; and (iii) close down agricultural banks, state-led extension services, rural infrastructure work as well as agricultural research. Many of the strategies promoted by international institutions for low-income countries differ considerably from what currently industrialised and developed countries employed during their own efforts to develop (Bairoch 1993; Bhaduri and Skarstein 1997; Chang 2002).

The larger part of investment in smallholder agriculture is made by farming families themselves. This indicates the importance of access to credits, infrastructure and functioning factor and output markets. HLPE highlights three core areas connected to small-scale agriculture if investments are to be realised:

- smallholder families need to feel hope for their future in order to invest;
- there has to be long-term security in terms of tenure and user rights;
prices on output markets need to be remunerative (HLPE 2013:34).

In parts of the world where smallholders are becoming numerous and where their relative incomes are falling, effective social security systems can be an important compensating mechanism. An international debate on this is emerging (see HLPE 2012). Smallholder contexts where functioning institutions are weak or lacking leads to increased insecurity and vulnerability. Social security systems cannot compensate fully for weak institutions, but they can facilitate the build-up of better functioning and more relevant institutions. I will now turn to the issue of what can be learned from existing cases of large-scale land investment, in particular when it comes to their effects on small-scale farming and rural contexts. The crucial challenge is to what extent and how such investments can be shaped so that smallholder farmers and other stakeholders can also benefit
8. Large-scale agriculture investments: three case studies

The terms of reference for this study identified three cases to be investigated in order to learn about experiences with large-scale investments that can throw light on how to improve or modify the Zero Draft (CFS 1 August 2013) recommendations on principles of responsible agricultural investments. Two investments are in Africa: one in biofuel production in Sierra Leone by the Swiss company Addax Bioenergy, with Swedfund as a co-investor, and the second a large-scale forest plantation in northern Mozambique, in which the Church of Sweden/Diocese of Västerås is a major investor. The third case involves various land investments in three states in Brazil by the Swedish Second National Pension Fund, AP2.

The analyses of these case studies represent different challenges. As to the forest plantation in Mozambique, data and information are mostly available from the initiation of the project in 2006 to 2011. Hence this is the major focus of the analysis. The biofuel investment of Addax Bioenergy in Sierra Leone will only become operational in early 2014. Hence the analysis is relating to the socio-economic development and impacts of the project before it becomes operational in terms of sugarcane cultivation. As to the investments in large scale Brazilian agriculture, of which the major part is in sugarcane cultivation, AP2 has for commercial reasons, declined to disclose information about the investment sites. As to this case, the analysis was forced to take a broader and more general approach to developments of Brazilian agriculture and in particular the sugar cane industry.

The analysis of these case studies, the findings of other recent research on large scale agricultural investments (Matoni et al. 2011; Cotula 2013; FAO 2013b) and the subsequent concluding reflections on large scale investments in agriculture in this report, constitute important parts of the foundation on which to assess the potential for large scale investments to contribute to food security, nutrition and
sustainable development.

Addax Bioenergy biofuel investment in Sierra Leone
In 2014, Addax Bioenergy will start producing ethanol and electricity from a sugarcane plantation in northern Sierra Leone. This will be the first independent power production in Sierra Leone and add 20% power to the national grid. Sierra Leone is one of the world’s least developed countries and emerged from a decade of civil war in 2002. It is ranked 180 out of 187 on the UNDP Human Development Index. The government of Sierra Leone considers agriculture and bioenergy to be an engine of socioeconomic development and growth and regards large-scale investments as an important mechanism for this purpose. The Government and FAO are since 2000 organising a nationwide Smallholder Commercialisation Programme (SCP) with the involvement of all the main NGOs. The Government of Sierra Leone is also trying to attract large scale investment.

Addax Bioenergy, established in 2008, is a subsidiary of the Addax and Oryx Group (AOG), which is based in Switzerland. It initiated its investments in Sierra Leone in 2010 and signed an agreement in November 2011 with Swedfund to invest EUR 10 million through Addax Bioenergy in the project. Other investors include the Dutch Development Finance Company (FMO), the British Emerging Africa Infrastructure Fund (EAIF), the German Investment and Development Company (DEG), the Belgian Investment Company for Developing Initiative on Soaring Food Prices (ISFP) in Sierra Leone. Photo: ©FAO/Caroline Thomas
Countries (BIO), the African Development Bank (AfDB), the South African Industrial Development Corporation (IDC) and the Canadian Cordiant-managed ICF Debt Pool. Total investment amounts to EUR 267 million and is the largest private agricultural investment ever made in Sierra Leone (Swefund, 4 December 2011/5 July 2013, Addax Bioenergy Fakta:4).

Swefund is a state owned company with a mission to contribute to poverty reduction through sustainable business. Its role as a Development Finance Institution (DFI) is to focus on private sector development in least and lower middle income countries in sub-Saharan Africa and with priority to the poorer and post conflict countries. The goals of Swefund mirror those of Swedish international development assistance in assisting to create opportunities to improve the quality of life of poor people. The three pillars of Swefund in its mission to reduce poverty are private sector development, sustainability and financial viability. These pillars constitute the conditions that have to be fulfilled for Swefund to be a partner in any investment (Algerin 2013:2).

Addax Bioenergy, the co-investors and all DFI lenders have underlined the importance of maintaining high investment standards regarding social and environmental aspects as well as best practices of company management. Addax Bioenergy has conducted a thorough environmental, social and health impact assessment (ESHIA) and the due diligence process, follows AfDB’s Environmental and Social Safeguard Policies, the World Bank International Finance Corporation’s Performance Standards, the sustainability criteria of the EU directive on the use of energy from renewable sources, the strict voluntary certification standard developed by the Roundtable on Sustainable Biomaterials (RSB) which audits the project annually and the Bonsucro (former Better Sugarcane Initiative) and as well the laws of Sierra Leone. Swefund reports that it is monitoring adherence to these commitments, as well as those of Swedish development cooperation, through its membership of the Addax Bioenergy board and visits to the project. The investors in and lenders to the project, “are of the opinion that the development of biofuel projects is a good opportunity for Africa, if properly developed and managed”(NKUK 2012:3). A comprehensive lenders’ independent project environmental and social audit and monitoring system was also set up in 2009, for which the company Nippon Koei UK (NKUK) won the contract.

This is an integrated agricultural and renewable energy enterprise to produce ethanol and electrical power, and involves the development of 14,000 ha of land. Of this area, 10,000 ha will be a
sugarcane plantation, which will have a fermenter and distillery for ethanol, a biomass power plant and related infrastructure. Once it is operating fully, the project will produce an envisaged 85,000 m$^3$ ethanol per annum, primarily for export to the EU, and 30 MW of renewable power, of which about half will be fed into the national grid (NKUK 2013:1). The approach of Addax Bioenergy is to develop a comprehensive business model which integrates environmental and social programmes, innovative land acquisitions processes, transparency, disclosure, stakeholder engagement and mitigation efforts (Addax Bioenergy 2013:3). Addax Bioenergy states that it is “fully aware of the debate around land-related investments in Africa and is committed to demonstrate that private investment can lead to a virtuous circle of responsible and sustainable development” (Addax Bioenergy 2013:1). Addax Bioenergy, in its open letter to ActionAid, states that it is “convinced that the debate on land and agriculture is important enough not to be reduced to generalisations, misinformation and/or bias. A serious debate should include the win-win potential of sustainable agricultural and renewable energy investment on the African continent” (ibid.:2).

According to Swedfund, the Addax Bioenergy investment will incur economic losses over many years. The tax incentives the Sierra Leone government offered therefore contributed significantly to the realisation of the investment. These incentives are seen by the investors/lenders as an acknowledgement by the government that long-term benefits will accrue to the country. Three main tax incentives were offered: (i) no company tax until 2022; (ii) no tariffs on inputs into agriculture; and (iii) no tariffs on imports of investment goods (Swedfund 2013:6). This is in line with incentives that many other developing countries offer to investors (Matondi et al. 2011).

The original Addax Bioenergy land lease applies to 57,000 has and is to run for 50 years in two chiefdoms in the Bombali district and in neighbouring Tonkolili. From the point of view of the company, this large land lease gives flexibility in moving field locations within the lease area in order to address the Company’s sustainability ambitions. The lease includes provisions for a 21-year extension. The current 14,000 ha project borders on the Rokel River, from which it will draw water for irrigation. Land clearance of the 10,000 ha sugar estate started in 2010 and will be completed by 2013-14 (ActionAid 2013:5). Addax Bioenergy has a five year relinquishment option, valid until 2015, and has since 2011 relinquished large amounts of land and will continue to do so. By November 2013, Addax Bioenergy retains 35
475 ha (Algerin 2013:3). The land lease also includes a clause allowing the area under sugarcane to be expanded to 20,000 ha. Some 90 villages are located within the lease area, but pre-project studies, commissioned by Addax Bioenergy, state that only 60 villages, with 13,617 inhabitants, will be directly affected. This situation reflects the challenges that large-scale agro-investments in Africa more generally face. In well-watered areas sought by investors, rural smallholders already live and farm, mainly with a focus on food production. Projects with high aspirations on social and environmental issues, such as Addax, thus have to deal with displacements of rural people and to compensate for their loss of agricultural land and livelihoods. Even though the project has yet to start production and export ethanol, it received a sustainability certificate from the Roundtable on Sustainable Biomaterials (RSB) in February 2013, which further announced that “Addax Bioenergy has become a model for sustainable projects in Africa” (RSB 2013). This certificate was also based on an audit of the sugarcane estate by the DNV (Det Norske Veritas) at the end of 2012 (NKUK 2013:4).

To get an overview of the progress of the socioeconomic measures of the project, let me turn to project monitoring and independent NGO assessments. NKUK has audited and monitored the project on behalf of the DFIs since 2009 through quarterly visits and their last independent public monitoring report covered the year 2012 and was published in May 2013. In September 2013 a South African based NGO with global outreach, ActionAid, published an assessment of the project based on visits to field sites and through an independently commissioned study involving interviews with relevant stakeholders. Earlier, in March 2013 the Swedish NGO, Swedwatch, with support from the Church of Sweden, published an evaluation of Addax Bioenergy in Sierra Leone focussing on women rights (Swedwatch 2013a).

NKUK (2013) has been involved in the project since 2009 and visits the project on a quarterly basis. During their visits the NKUK representatives meet with Addax Bioenergy, investigate non-conformities in connection with the project and discuss with a number of stakeholders including local campaigners and villagers. They reports on four of the main integrating initiatives by Addax Bioenergy to address longer- and short-term socioeconomic development elements of the project, including (i) The Farmer Development Programme (FDP) including Farmer Field and Life School training (ii) the Labour Recruitment, Purchase and In-Migration Management Plan, (iii) the Community and Skills
Development Plan (ESMP) and (iv) the Stakeholder Engagement Plan (SEP).

FDP is linked to the implementation of the Master Resettlement Action Plan and the individual block-focused Resettlement Action Plans (RAPs) for the whole project area. FDP aims to “… ensure that all Project Affected Peoples will have sufficient land and agricultural skills as a further mitigation measure for economic displacement.”

Addax Bioenergy developed the FDP in cooperation with FAO, the Sierra Leonean Ministry of Agriculture, Forestry and Food Security and the International Institute of Tropical Agriculture. FDP is also aligned to the Government of Sierra Leone’s Smallholder Commercialisation Programme (Addax Bioenergy 2013:3).

According to NKUK (2013), FDP functions as a food-security stabilisation and mitigation measure relating to the wide range of affected people and households. Its functions include training roll-out in relation to the expansion of the plantation. The Farmer Field and Life School training involves agricultural techniques, community saving and loans, health and nutrition and literacy, and lasts for 30 weeks. For each household impacted by the program in terms of land and crop loss, the project and local villagers collaborate to estimate the quantity of rice to be compensated in order for individuals to achieve adequate food security (official assessment is 104 kg/per capita/per year).

During 2012, 34 villages were part of FDP, ten in their second and the remainder in their first year. Combined, they cultivate a total of about 2,000 ha and 14,000 people are involved. The average yield of rice of the FDP was 1,160 kg/ha in 2011 and 1,176 kg/ha in 2012, the latter providing 150 kg/per capita. This is in excess of the individual target of 104 kg/ha required to ensure food security in terms of edible rice. However, according to NKUK, the figures should be treated with caution as “weighing and maintaining the integrity of the measuring and sharing process (of rice) remain a central problem in the field where villages and individual households do not participate effectively” (NKUK 2013:8). NKUK further states that, “on average, some 70 per cent of the rice produced was not weighed and declared, and therefore can be considered to have ‘leaked’ from the system. In these cases estimates were based on sampling household and field (control plots)” (NKUK 2013:8). NKUK does not find it credible however that the margin of error could be so great as to cast doubt on the attainment of food security targets for 31 of the villages. Three villages experienced less than target yields, of which two were significantly below, and an additional village, Mabilafu, obtained no yield at all.
Based on the 2012 experiences, the FDP for 2013 is planned to be more cost-effective and to ensure that all villages involved will meet the food security targets “while using less land to grow rice” (NKUK 2013:8).

The independent monitoring report, however, cautions that the overall performance of FDP in terms of sustainability cannot be gauged until it has been implemented in all sites of the project areas. The conclusion regarding 2012 is that, “FDP, overall, has achieved its short-term food security sub-objectives and helped to alleviate the difficulties caused by the hungry months of July, August and September for many local people.” Infrastructure development in the project areas has also helped people access markets with their surplus production, which led to increased incomes in the area between 2010 and 2012 (NKUK 2013:9).

NKUK states that local labour recruitment contributes to socioeconomic development by introducing extra money into the area, which increases purchasing power. It is said that a multiplier effect will help create additional jobs beyond those at the project site, and that economic development will be boosted by such effects. Moreover, it is stated that anecdotal evidence exists of such beneficial socioeconomic change in some villages, but also that “there are inevitable problems of ‘adjustment’ for local people not accustomed to working in a fully monetized economy for large industrial enterprise” (NKUK 2013:10). Developments have not been without problems, according to NKUK, and throughout 2012 “disputes have arisen over issues such as interpretation of contracts, timing of wage payments, and termination of contracts followed by re-hire. Actions are undertaken, continually, by ABSL [Addax Bioenergy Sierra Leone] to explain matters to local people, and to change perceptions, but labour disputes have continued intermittently” (NKUK 2013:10). Between January and late November 2012, employment by the project, of which almost all is permanent, increased from 312 to 523. During 2012, employees originating in the area (within 20 kms of the factory site) declined from 60 to 58 per cent.

As to community development, NKUK reports that the aims of the plan go beyond “impact mitigation” and directly support community development through three main initiatives: (i) a community water and sanitation improvement program; (ii) a forestry project, including a pilot nursery for woodlots, eco-corridors amounting to 1800 ha and economic benefits; and (iii) a skills training program, including the plan to develop a training institute for diversifying skills.

As to the Stakeholder Engagement Plan, a revised and updated plan was initiated. SEP focuses only on local stakeholders. The four
major stakeholders included in the plan and frequency of planned consultations are as follows: (i) village liaison committees (clustered monthly meetings in each village); (ii) district liaison committees (every month in each district); (iii) multi-stakeholder forum (every three months); and (iv) local communities in project-affected areas (annual public meeting).

In the implementation of SEP, a number of challenges were reported by NKUK: (i) appointment of District Officers led to intra-district disputes as to the role and responsibilities of the new officers. Such disputes were not resolved and as a result District Liaison Committees did not meet for most of 2012; (ii) it became increasingly difficult to organise regular meetings with the three paramount chiefs in the project area, with the result that only a few such meetings occurred; and, (iii) excessive wet season rains made travel to scheduled meetings in rural areas very difficult, and some had to be postponed and cancelled. The outcome was that the Multi-Stakeholder Forum evolved as a more important consultation event in 2012. A working committee was established under this forum which, “focuses on trying to resolve inter- and intra-village disputes (usually over land issues) which threaten ABSL’s ability to develop the estate on schedule” (NKUK 2013:14). In the report published by Swedwatch, some persons interviewed stated that some of the conflicts that have emerged in the Addax Bioenergy project are between different land owners as to who has the right to receive payment from Addax Bioenergy for the lease of land. Addax is by the same persons held up as a better company than other companies in the area that develop their projects without consultation with the local population (Swedwatch 2013a:47).

A grievance mechanism is a key component of the Addax Bioenergy project engagement activities. By the end of 2012, 133 grievances had been registered, of which 51 were outstanding and under investigation. The number of grievances and the number of unresolved grievances in 2012 was significantly higher than comparable figures for 2011. However, during this period the area under development had also expanded significantly. Half the grievances for 2012 were related to asset compensation, i.e., late payment and/or non-assessment of assets. Swedwatch reports more specifically the most common grievances and positive remarks by the 30 women from seven villages that were interviewed (based on interviews in October 2012). Women reported a total of 117 grievances compared to 16 positive remarks. The most frequent grievances were, too short employment (19 grievances), no access to land (17), the salary is too low (13), rice planted by the smallholders gave poor harvests (12) and promises about schools,
development of the local community have not been fulfilled (11). The positive features of Addax according to the views of the interviewed women were that women could do business with workers on the project (3), the salary from working in the project could be used to build a house (2) or to buy rice (2) (Swedwatch 2013a, extracted from tables on page 48).

Another part of ABSL’s engagement activities relates to NGOs. Overall, NKUK reports that such relations are good and that increasing interest in the project was recorded during 2012. This resulted in a number of requests for information and visits to the project site. One national NGO ‘association’ is, however, reported to be unfairly critical in its reporting and “at times seems to be acting with local people against ABSL’s interest, and appears to be singling out ABSL for criticisms despite ABSL’s attempts to co-operate with it” (NKUK 2013:14).

Apart from a national NGO that has commented negatively on the Addax project, the international South Africa-based NGO, ActionAid, visited the Addax Bioenergy project site in Sierra Leone in January 2013. The representative for ActionAid did not, however, meet with Addax Bioenergy. ActionAid subsequently commissioned an independent study. This study conducted 100 interviews in 10 villages and hosted two focus group discussions with affected communities (ActionAid 2013:4). The consultant conducting the study for ActionAid this time met with representatives for Addax Bioenergy, but according to Addax Bioenergy only at the request of the Company.

Swedwatch’s study was based on a visit to Sierra Leone and the Addax Bioenergy project during two weeks in October 2012. Swedwatch visited seven villages where 30 women were interviewed. In addition, 14 male landowners and representatives from Addax Bioenergy, Swedfund, local organisations and government agencies were interviewed (Swedwatch 2013:ii and 48).

The ActionAid study was conducted in conjunction with a local NGOs, SiLNoRF, and experts and the in-depth interviews with communities concentrated in particular on the situation of women. This study was published by ActionAid in September 2013, and is entitled “Broken promises. The Impacts of Addax Bioenergy in Sierra Leone on Hunger and Livelihoods.” Unlike the Roundtable of Sustainable Biomaterials that awarded Addax Bioenergy a sustainability certificate, ActionAid is critical in its conclusions: “The project is far from sustainable and is undermining communities’ rights.” Following the publication of the ActionAid report, Addax
Bioenergy has questioned the honesty and quality of the research in a detailed open letter to Action Aid (Addax Bioenergy 2013).

Swedwatch on its side acknowledges that Addax Bioenergy has used considerable resources in order to make the project sustainable, inclusive and long term and that this work is done in accordance with international norms and guidelines. Swedwatch as well underlines that Addax Bioenergy has carried out a comprehensive risk analysis and has provided land owners with registered titles which they did not have before. In addition Swedwatch mentions that regular meetings with the local population have been held and that many actors have been positive to this engagement which has been in accordance with international guidelines for corporate responsibility (Ruggie 2011). However, in spite of these positive acknowledgments of the Addax Bioenergy project, the overall conclusion of Swedwatch is that the company needs to resolve several serious problems in order to avoid having an adverse impact on the human rights situation in the affected villages (Swedwatch 2013a:53-54). Swedwatch, however, has a more narrow focus than ActionAid. How can the project assessments by NKUK on one hand and ActionAid and Swedwatch on the other be so far apart? Let me examine the evidence on which the NGOs based their conclusions.

As to land acquisition, ActionAid points out that the Bombali district, where Addax is located, has witnessed a massive land grab over the last five years. All 13 chiefdoms of the district of some 800,000 ha have been acquired in part or in whole by foreign companies, according to ActionAid (a figure that is questioned by Addax Bioenergy). A major problem with the Addax project is, according to ActionAid, that when people agreed to give up their land, they placed great faith in the company to help lift them out of poverty. The provision of jobs and social amenities were important in this respect. However, promises made were not written and were not made by the company itself, but may have “come from public officials” (ActionAid 2013:15). This finding, which indicates the blurred roles of state officials and company representatives, is common where a foreign company or investor engages directly with communities and people in rural areas. ActionAid states that “Addax failed to control expectations on the ground” (ActionAid 2013:15).

Swedwatch as well reports on unrealistic expectations of the local population as regards the Addax Bioenergy project. The study mentions that it is difficult to ascertain who had spread false rumours about the company’s promises to build schools and hospitals in all villages. Several informants also mentioned that the president of
Sierra Leone himself through media channels had encouraged villages to lease their land to the company (Swedwatch 2013a:21 and 27). Addax Bioenergy claims that this information is not correct (ibid). Swedwatch, through analysis of the Memorandum of Understanding (MoU) between Addax Bioenergy and the government, found that the company had not agreed to supply amenities as indicated by the local population. Rather the MoU stated that the company should strive towards improving the supply to and conditions of the local population through support to smallholders, infrastructure, employment and education of the company’s personnel (MoU between Addax Bioenergy and the Government of Sierra Leone, according to Swedwatch 2013a:27, author’s translation). Addax Bioenergy, in its open letter to ActionAid states that the company “has never made any promises it has not committed to deliver. Managing expectation has been a crucial part of our stakeholder engagement since the start of the project and remains so today” (Addax Bioenergy 2013:4).

One problem concerning expectations may be linked to another critique by ActionAid, namely the “free, prior and informed consent (FPIC).” This implies the right of all stakeholders to be consulted in a timely, appropriate and informed way, and is seen to be a key precondition for sustainability. FPIC is also a crucial requirement for sustainability certification. ActionAid, however, states that the FPIC for the project was faulty since for the company it “appears that consultation and ensuring that a small number of people signed-off the land lease agreements constituted consent. From the survey conducted for ActionAid, only 66 per cent of respondents said they attended consultation and stakeholder meetings.” ActionAid found in addition that there was no essential dialogue at these meetings, where company and public officials constantly reiterated the benefits of the investment for the country and local host communities. In total, 85 per cent of those interviewed by ActionAid said that “information provided to communities on the advantages and disadvantages of Addax’s investment was inadequate” (ActionAid 2013:13). ActionAid found that land leases were signed only by a few elected elders and that 78 per cent of community respondents had never seen the lease agreements. The leases were written in English, not in Temne, and one of those who signed stated that he did not understand the content.

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3 In connection with this statement by ActionAid Jörgen Sandström, representative of Addax Bioenergy, states that 20 percent have seen the land lease which, according to Sandström, must be considered exceptional as the lease was signed in 2013 after more than one year of public disclosure which is unprecedented for any country (comment received by the author January 8 2014).
In its conclusions, Swedwatch takes a more positive stand to the consultations processes initiated by Addax Bioenergy (Swedwatch 2013:57). Swedwatch as well reports about lack of clarity about and conflicts emerging with regard to what land Addax Bioenergy is going to make use of (Ibid.:31). Several of Swedwatch’s informants stated that the villages would not sign lease agreements until it was clarified what land the company intended make use of was. Some of the informants wished to renegotiate the contract and one elder stated that he regretted the agreement with Addax Bioenergy (ibid.:32). Swedwatch also makes reference to the activities of SILNORF, a local NGO which focusses on the right to food, which claims that the Addax Bioenergy project is threatening the local peoples’ right to food, since they become increasingly dependent upon the rice cultivation programme that the company has initiated in the affected villages (Ibid.:32-33).

Addax Bioenergy on its side states that “the long-term development objective of the FDP project (which includes rice growing) is to strengthen the capacity of local communities, thus empowering them to increase their food security and incomes on a sustainable basis, with a view to achieving long-term economic development and poverty

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4 Sandström comments that the role of the Acknowledgment Agreements, signed directly with traditional land owners, has been overlooked. By signing this agreement which also contains a registered map over their lands they acknowledge the land lease and they secure 63 percent of the total rent. This is an innovation, according to Sandström, created by the company which helps to guarantee free prior informed consent (comment received by the author January 8 2014).
reduction” (Addax Bioenergy 2013:3). The head of FAO in Sierra Leone, an institution which supported Addax Bioenergy with developing the FDP project, stated that the company should have involved the local population in FDP at an earlier stage in order to prepare them for the project. He added, however, that several of the projects supported by his own organisation, FAO, were in similar ways forced upon villages and hence not fully accepted by them. Thus the situation that had occurred is not unique to Addax Bioenergy (Swedwatch 2013a:39).

Addax Bioenergy, to safeguard against problems, arranged and paid for a lawyer to represent the communities. The Roundtable on Sustainable Biomaterials audit claimed that this was to “represent their interest [the local people] and to ensure that the lease agreements were well understood by all affected” (RSB 2013). However, the ActionAid study found this to be in sharp contrast to the claims of local landowners and people. Seventy-five per cent of community respondents stated that they never saw the lawyer who was supposed to represent them. Only 2 per cent of respondents believed that the lawyer represented them well (ActionAid 2013:13). The local NGO (SILNORF) noted that local people, strongly reliant on natural resources, would have objected to the following clause in the lease that removed or undermined their rights: “The Company ... shall be entitled to have exclusive possession over all that forms part (of the) Demised Premises including villages, rivers, forest and all other forms of environment” (ActionAid 2013:13).

The impact of the project on wages and food security is also discussed in the ActionAid study. In May 2013, Addax Bioenergy reported it had a workforce of about 1,500, of which half were permanent and half casual workers. By investigating worker pay slips and local cost levels, ActionAid found that wages were insufficient “to cover daily expenditure such as housing, clothing or school fees, especially when considering the costs associated with the FDP if farmers choose this option.” In early 2013, ActionAid interviewed many people about the daily cost of feeding a family. The daily wage of Leones 15,000 would barely be enough for a meal a day for a family. Some families confirmed that they were surviving on one meal a day (ActionAid 2013:11). The situation was particularly precarious for women, since compensation for land was paid to male landowners, not to the women who use the land (ActionAid 2013:9). Considerable amounts are involved. Swedfund reports that by mid-2013, USD 330,638 had been paid directly by Addax to landowners for leases, and

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5 Sandström is of the opinion that this is not surprising as the land lease process took place in 2009 and 2010 (comment received by the author on January 8 2014).
USD 656,636 directly to them for assets on land taken into use by Addax (Swedfund 2013:6).

Swedwatch on its side, however, reports that the 332 000 Leones (about SEK 490 in October 2012) per month that Addax Bioenergy paid its workers in the field, were considerably above the legal minimum wage. However, in spite of this, the workers’ families are large and the money is soon expended on medicines, food and school fees. Some informants interviewed by Swedwatch claimed that Addax Bioenergy has hired and dismissed workers as they pleased. This implied that seasonal employment led to great insecurity. The company, however, states that employment issues are difficult to handle due to limited experiences among people as to what it implies to be permanently employed. Since 2011, the Addax Bioenergy representative stated that all workers have written contracts and that the salaries are paid into their bank accounts each month (Swedwatch 2013:42).

In the MoU between Addax Bioenergy and the Government, it was stated that the project was expected to create 4000 new jobs. This figure has been reduced to half since it was based on the assumption about a second phase which was later aborted. According to the company, the figure for employment generation since 2009 has been 2000 permanent employees, which means at least 10 months of employment over a year (Ibid.:41).

ActionAid found that food security had worsened after the start of the project: 99 per cent of respondents stated that hunger was prevalent in the project area, 90 per cent claimed it was due to loss of land to Addax and 99 per cent suggested that food production had declined in their communities (ActionAid 2013:3). The study also claims that FDP is problematic since the model is based on high-cost mechanisation that is alien to the communities and leads to uncertainty among smallholders as to what will happen when they after three years will have to foot all the costs of cultivation.

Smallholders also complained that allocated FDP plots were too small, including the planted areas. ActionAid’s picture of the outcome of FDP is more complex and negative compared to that found in NKUK’s independent monitoring assessment (May 2013).

The NKUK report for 2012 (2013) also showed that all is not well with the progress of the project. Problems relating to weighing of rice harvests in the FDP are mentioned, as is the increase in grievances, both in terms of number and those not resolved. As well, project engagement with local stakeholders during 2012 proved to be far more limited than expected. However, overall, my assessment is that the
portrayals of the Addax Bioenergy project by NKUK on the one hand and ActionAid and to a lesser extent Swedwatch on the other differ greatly. At times one wonders whether they are evaluating the same project.

In terms of collection of data and information, the NKUK report (2013) states that the monitoring of socioeconomic aspects is based on a survey of 95 villages in the entire project area, including some villages located outside to be used as controls. This survey is far more comprehensive than that carried out by ActionAid, which comprised 100 interviews in 10 villages and two focus group discussions with affected communities. The Swedwatch study was even more limited. My assessment, however, is that the differences in findings and conclusions are not primarily related to the breadth of the investigation. Rather, the two positions on the Addax Bionergy project, from my analysis of the various studies, are related to a different problematic. There is, in my assessment, the inclination of NKUK on one side and ActionAid and to some extent Swedwatch on the other side, to connect to different discourses for understanding the investment. NKUK is inclined towards win-win- and ActionAid to lose-lose or win-lose discourses. Swedwatch tries to avoid the presumption of either win-win or lose-lose when it assesses the situation. This difference in perspectives is not entirely unexpected, since NKUK is a British-based company hired by the investors and lenders to conduct an ‘independent’ assessment, while ActionAid and Swedwatch are undertaking their ‘independent’ assessment in collaboration with national and local NGOs.

Hence, the questions and issues raised by the assessors and the interpretation placed upon them tend to differ and be biased towards the respective discourses. The resources and costs associated with the different discourses reveal the dominance of the win-win variant.

The ActionAid report of September 2013 has prompted international responses. The UK government’s Department for International Development (DFID), which is supporting the project through EAIF, stated that ActionAid’s claims should be investigated: “As one of EAIF’s funders, we would expect them and their fund managers to investigate any allegations raised to seek reassurance from the company” (The Independent, 1 September 2013). ActionAid is not aware that any action on this matter has been taken (personal communication Tim Rice, ActionAid, London November 2013).

On the socioeconomic side, there are also observations that give rise to further reflections or questions. According to ActionAid, 82 per cent of respondents said they are dissatisfied with Addax’s operations
(ActionAid 2013:13). On the other hand, 96 per cent of respondents stated they wanted Addax to stay and make amends (ActionAid 2013:16). It is difficult to reconcile these two responses. This outcome may indicate that rural people are facing a very difficult situation in securing their livelihoods. On the other hand, NKUK’s monitoring procedures and organisation may be inadequate for a deeper analysis of power relations and the implications and impacts of the project. After all, is it realistic to expect that two consultants from another culture would, on the basis of quarterly week-long visits, be able to comprehend the complex dynamics flowing from a major project intervention? It is not the competence of the NKUK evaluators that is questioned, but whether their frame can capture a different complex and socioeconomic and cultural context.

The potential for biofuels exports from Africa to the EU has weakened since 11 September 2013, when the European Parliament voted to “limit the share of food-based biofuels in cars and trucks to 7% of total consumption by 2020. This means that to meet its target of having 10% of Europe’s transport energy come from renewable sources the EU would have to rely on a much-faster expansion of electric cars and commercially unproven biofuels made from non-food crops” (The Wall Street Journal, 2013). It is possible the EU will gradually phase out such biofuels over time. The export market for ethanol, including the Addax project in Sierra Leone, will then be likely to shrink. Already, current research show that the trend emerging in East Africa and other parts of the continent is for large-scale biofuel investments to either face delays or go bankrupt (Neville and Dauvergne 2012; Locher and Sulle 2013; FAO 2013b; Abdallah et al. 2014).

The Second Swedish National Pension Fund: Investments in Brazilian large-scale agriculture

Introduction
The Second Swedish National Pension Fund (AP2) operates on instructions from the Swedish parliament with the objective of maximising, at low risk, the long-run gains on the pension capital it manages. AP2 is one of five buffer funds in the Swedish pension system and it manages SEK 248.3 billion (AP2 2013b). As such, it is one of the largest pension funds in northern Europe.

The ownership policy of AP2 is built on nine principles, the last of which relates to environmental and ethical issues. Accordingly, AP2 expects that companies in which it invests adhere to international
conventions such as the UN Declaration for Human Rights, the UN Child Convention, the Rio Declaration on environment and development, the core ILO conventions as well as conventions relating to corruption. The companies have also to follow OECD guidelines for multinational companies and AP2 encourages them to become members of the UN Global Compact.

AP2 finds that investments in agriculture are important in helping it to comply with the instructions and guidelines it is mandated to follow. In particular, AP2 regards large-scale agricultural investments in countries with clear and distinct legal frameworks as beneficial. Agricultural investments enable AP2 to diversify its investment portfolio and at the same time this will help contribute to increased food production and investment in efficient and environmentally smart technologies (AP2 2013a:4). The aim of AP2 is to invest about 1 per cent of the capital it manages in agricultural land and properties. Since 2010-11, AP2 has been investing in cooperation with other investors in lands in Brazil, Australia and the US (AP2 2013a). Such investments are primarily made through the TIAA-CREF Global Agriculture (TCGA) company. This investigation focuses on AP2’s investments in Brazil through TCGA. However, since the locations of the investments are not disclosed by AP2 and TCGA, this investigation is based on secondary literature and an interview and further communications with representatives of AP2 (Stockholm, 30 August 13 and subsequent communication).

The design of responsible investments in agriculture by a group of international investors

AP2, along with a group of international investors, took the initiative to develop principles for responsible investments in farmland (September 2011). The objective was to devise a frame for institutional investors that could address environmental, social and governance issues. In more detail, the principles related to the environment, labour conditions, human rights, land rights and business ethics. Investors that sign on take it upon themselves to report annually how they address the principles in their activities. In addition to AP2, ABP, APG and PGGM (all in the Netherlands), ATP (Denmark), BT Pension Scheme/Hermes EOS (Great Britain) and TIAA-CREF (USA) are parts of the institutional investor group. The group itself has taken on the responsibility of administering the principles, and by mid-2012 an

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6 Raizen which owns the company Radar jointly with TIAA-CREF provides a map of its production sites on http://www.raizen.com/en/raizen/units/production. However, this does not include some of its 3000 strategic partners which account for 50 per cent of the raw material to its production entities (see below).
additional seven investors had signed on to them. A precondition for signing the principles is that the company/investor has also accepted the UN principles for responsible investments (AP2 2013, ÄR 2011-12:4).

The five principles for responsible investments in farmland that the institutional investors have agreed to include:

(i) Contributing to environmental sustainability. In particular, this can be done by reducing the risk of soil erosion and efficient water management. The principle also states that an environmental assessment is to be conducted before an institutional investor takes over or purchases agricultural land/property.

(ii) Respecting labour and human rights. This includes migrant and/or seasonal labour.

(iii) Respecting existing rights to land and resources. This principle implies that a detailed investigation be undertaken to ascertain ownership from the current date back to the first time the property was sold by the government or the original owner. When an agricultural property is purchased, there is to be complete clarity about ownership issues relating to the property.

(iv) Adhering to proper business ethics and high ethical standards, including combating all kinds of corruption.

(v) Reporting on activities and progress relating to implementation of and support for the principles (AP2 2013, ÄR 2011-12: 6-9).

**AP2’s agricultural investments in large-scale Brazilian land/agriculture**

AP2 has invested in Brazilian agriculture through TIAA-CREF Global Agriculture (TCGA), in which AP2 has 24 per cent part ownership alongside US and Canadian pension fund investors. Several times over the year the investors in TCGA receive activity reports. AP2 as a board member of TCGA has the possibility to influence on deliberations and decisions linked to sustainability issues. The Board of TCGA has decided to establish an Environmental, Social and Governance (ESG) Committee. TCGA has purchased three agricultural properties producing sugarcane in the state of São Paulo and four agricultural properties for grain production, one each in the states of Mato Grosso and Piaui and two in Maranhao (AP2 2013a:11). By March 2013, AP2 had committed USD 450 million to TCGA, of which USD 180 million had been invested (Swedwatch 2013b:6).

All sugarcane investments are large-scale and mechanised, while those that produce soybeans are mechanised and use crop rotation (maize and cotton) to reduce the risk of pests/insect infestation and to
maintain soil fertility. All land is leased to companies that undertake
the cultivation themselves. This leasing is arranged by the firm
Radar, which manages the agricultural properties TCGA has bought.
Radar and AP2 state that they visit properties on a regular basis to
ensure compliance to the leasing agreements. According to AP2, the
companies that lease the land for cultivation for the most part use
non-plough methods to reduce the risk of erosion and minimise
negative climate impacts (http://sugarcane.org/sustainability/
best-practices). It is, however, difficult to reconcile this information
(AP2 2013a) with the statement by AP2 (interview, Stockholm, 30
September 2013) that, “the company that leases the land decides
what crop to plant and is responsible for cultivation/production and
marketing of the crops.” Given the comprehensive role by the land
leasing company in selection of crops and agricultural methods, how
can TCGA (and AP2) be assured that proper cultivation methods are
being employed on its agricultural land? According to AP2 this can be
ensured through that, “several of the tenants are affiliated to various
sustainability initiatives related to different crops, such as Bonsucro
(sugar cane), the round Table on Responsible Soy Association,
the Better Cotton Initiative and the Brazilian Responsible Cotton
Program. Raizen, a tenant to sugar cane properties had seven mills
and their cane supply area certified according to Bonsucro in March 2013. The company has declared that it will certify all its mills (http://bonsucro.com and information by AP2 October 28 2013).

As to respect for labour rights and human rights (principle ii) on the agricultural properties owned by TCGA, Brazilian regulations state that it is the cultivator of the land who is responsible for adherence to labour regulations and human rights (AP 2013a:10). TCGA/AP2 try to ensure that the leaseholder company honours these rights by conducting thorough assessments of the companies that cultivate the land before the investment takes place, through certification programmes, visits to the properties and by inscribing adherence to labour and human rights in the land lease contracts (interview with representatives from AP2, 30 August 2013 and information provided October 28, 2013).

AP2 is aware of the problem of abuse of labour and human rights in Brazilian large-scale agriculture. Swedwatch (2013b) reports that two suppliers of a current lessor of TCGA’s agricultural properties in Brazil, have been accused of interference in and breach of human rights. This had, however, also come to the attention of AP2. Companies that break labour regulations and violate human rights are put on a government ‘black list.’ Often this happens because the companies make use of forced labour. Even the largest Brazilian sugar-producing company, Cosan, appeared on the black list in 2010. This was because government inspectors in 2007 uncovered the use of forced labour by one of Cosan’s suppliers (Swedwatch 2013b:15 based on http://reporterbrasil.org.br/biofuel/exibe.php?id=121 and Hermele 2012:72-73). Cosan was, however, removed from the list after five days when a labour court placed the blame for the forced labour with the sub-contractor company. Cosan later improved its internal routines through assistance by a Brazilian audit firm, Control Risks, and invited independent inspectors in order to avoid repetition of such problems (Swedwatch 2013b:15). Raizen itself had no investments in the regions where the problems connected with forced labour occurred (Information provided by AP2 October 28 2013).

The problems relating to labour conditions in sugarcane plantations in Brazil were also underscored by the UN Special Rapporteur on Food Security, Olivier de Schutter, during his mission to Brazil in October 2009; “There are recent and converging indications that working conditions on the sugar cane plantations remain very poor and in many cases create a health hazard for the workers involved, and that wages remain low” (De Schutter 2009a, press release- annex:4). He also noted that one of the recent national commitments to improve these
conditions remained a voluntary instrument. De Schutter, however, was positive to initiatives that the Brazilian government and other stakeholders had taken to improve the sustainability of the production of ethanol from sugar cane including national agro-ecological zoning and the national commitment on working conditions in sugar cane cultivation agreed upon in June 2009 (De Schutter 2009b). Although such initiatives are critical, they are difficult to implement or enforce.

For example, the dire state of labour conditions in agriculture and livestock-keeping is underlined by the freeing of 39,000 people from slave-like working conditions by Brazilian authorities since 1995, of whom 2,270 were freed as late as in 2011 (BBC home page http://bbc.co.uk/news/world-latin-america-16404193 and Swedwatch 2013b:18). Hermele quotes a figure for liberated agricultural workers of 6-7000, “on average each year 2005-2009, half of them on sugar cane plantations.” During the same period about 30 people were killed each year in local struggles and numerous conflicts about access to and ownership of land occurred, “Involving an average of 750,000 people each year” (Hermele 2012:72 referring to Comissão Pastoral da Terra, CPT 2010:16 and 173).

The problems of labour relations in large scale agriculture are also borne out by the investigation of Mendonça et al. (2013), which found that the remaining labour on mechanised properties, tend to be exploited more than before mechanisation set in. The study provides data on the evolution of seasonal workers’ salary, pay rate and physical and monetary performance in the State of São Paulo for the period 1969 to 2005. The average real daily wage of a seasonal worker increased during the first half of the 1990s, but fell from R$ 6.36 in 1996, to R$ 5.40 in 2000 to R$ 4.54 in 2004, while a slight increase was recorded for 2005 (R$ 4.83). Payment in R$ per ton of cane harvested show a continuous decline from R$ 1.06 in 1998 to R$ 0.86 in 2004/05. The flip side of this scenario is the increase in the average yield in tons cut by each seasonal cane cutter per day, which rose from 6.10 tons in 1990 to 8.00 tons for the period 2000-2005. In comparison the real daily minimum wage in São Paulo remained lower at the level of R$ 2.63 from 1998 through 2005 (Mendonça et al. 2013:16).

Hence a sugar cane cutter could earn twice or more than the daily minimum wage during the months of the cane harvest. On an annual basis, the pay, however, is not impressive given the harsh working and health conditions facing the cane cutters. Silva and Ribeiro (2010) have found that the average “useful” life of a manual cane cutter is only about 15 years compared to during the time of slavery in Brazil when slaves at least lasted 20 years. Exceptions do, however, exist.
(Hermele 2012:74-5). The process of mechanisation of Brazilian sugar cane cultivation, which is supported by laws, will thus also lead to the abolishment of a large number of harsh and unhealthy jobs. The problem is the creation of alternative work opportunities for cane cutters. This has also led to initiatives to curb mechanisation. For instance in the state parliament of Goias a law was proposed in 2008 to limit mechanisation rates to 50 per cent of the plantations until 2020 and to 70 per cent by 2030 (Hermele 2012:75).

The situation of labour after mechanisation of plantations continues to be uncertain. This is shown by the experience of combine drivers on mechanised sugarcane farms leased by Raizen, a company established through a merger of Shell and Cosan. In this case, Public Labour Ministry inspectors detected problems which related to outsourcing of labour, and include low wages, non-compliance with safety norms and excessively long working days:

The investigation [by the inspectors] found that Raizen had committed fraud, with the clear objective of reducing the costs of the production process. At least 10 workers hired by the Marca de Ibaté outsourcing firm had had an employment relationship with Raizen. Their contract was terminated with the Corporation, which was Cosan at that time, on July 28th 2011 and they were rehired by the outsourcing firm the following day, on July 29th, 2011 to carry out the same tasks. The comparison of pay slips allowed [the inspectors] to confirm that outsourcing increases precariousness, as the salaries of the workers registered with the outsourcing firm correspond, in average, to 63% of the salary paid by Raizen. Due to outsourcing, the workers who had previously worked [for Raizen] stopped receiving life insurance and production bonuses, which were given to the plants’s machine operators … There are reports of workers that go for more than ten days without a break. The legislation obliges companies to provide at least 24 consecutive hours of rest per week (Mendonça et al. p. 17 based on “Raizen (antiga Cosan) é Processada pelo MPT.” Jornal de Araraquara – SP, 21 de abril de 2012. Available at; http://www.brasilagro.com.br/index.php?noticias/detalhes/3/43091; consulted by Mendonça et al. on July 6 2012).

As noted, TCGA tries to ensure that companies leasing its agricultural properties adhere to labour regulations by inserting this as a condition in the contracts. If the company ignores this condition, the lease agreement can be terminated immediately. To check that leasing companies followed the regulations, two independent inspections
were conducted in 2010 on agricultural properties cultivating sugarcane that Radar is managing on behalf of TCGA. In 2011, such inspections were also conducted on agricultural properties cultivating grain. No breaches were discovered (AP2 2013a:11).

Radar Propriedades Agrícolas SA not only manages agricultural properties of TCGA, but also identifies and purchases them (AP2 2013a:11). The links between TCGA/AP2 and Radar also establish a connection with Cosan. The Cosan group is the largest company in the sugarcane sector and has traded on the Brazilian stock market (Bovespa) since the middle of the decade of 2000. The inflow of foreign capital, mainly from investment funds, led to a dramatic increase in Cosan’s assets, which it employed to establish subsidiary firms such as Radar, Cosan Açucar e Álcool and others. In addition to attracting financial investors, the sugar/energy sector also initiated a number of mergers with oil and commodity trading companies. Royal Dutch Shell entered the sector through a joint venture with Cosan. This cooperation led to the establishment of the Raizen Corporation, which soon became one of the five largest economic groups in Brazil, with a market value of USD 20 billion.

Raizen produces 2.2 billion litres of ethanol and 4 million tons of sugar annually. Its stated goal is to increase ethanol production to 5 billion litres by 2014. To achieve this goal, the corporation seeks control over ‘new’ sugarcane producing regions, including the northwestern part of São Paulo state and the states of Goias and Mato Grosso do Sul (Mendonça et al. 2013:4 with reference to Raizen 2011 available at http://www.raizen.com.br/pdfs/apresentacao.pdf). This expansion is also made viable by the funding from the National Bank for Economic and Social Development (BNDS), which in 2010 alone provided R$ 7.4 billion to the sector. During the era of former President Lula da Silva (2000-08), ethanol plant owners received a total of R$ 28.2 billion in loans (http://www.ihu.unisinos.br/noticias/40982). BNDS also continues its support for the sugar/energy sector by assisting in sourcing international financial capital. According to Mendonça et al. (2013:4), “these disbursements [to the sugar/energy sector] represent a much more intense growth in investments than in any other economic sector in the country.”

The Cosan subsidiary Radar is an important player in expansion of the sugarcane cultivation frontier to other regions and states. To sustain this expansion and the industry’s further development, new investors and partners must be drawn in. By 2012, Radar had bought 392 agricultural properties and had comprehensive plans for further expansion (Swedwatch 2013b:14 referring to home page of Cosan,
Cosan Day, Radar 12). Radar receives the first offer by TCGA/AP2 to lease its newly acquired properties to cultivating companies. AP2 on its side claims that “Radar is not a player in the expansion process of sugarcane to other states. Until today Radar did not buy a single hectare in any greenfield investment of sugarcane” (information provided by AP2 October 28 2013). Evidently, as regards the issue of expansion of sugar cane cultivation and the role of Radar different stakeholders (i.e. Swedwatch and AP2) hold varying views. As to Raizen, Mendonça et al. with reference to the company’s home page, write that Raizen is expanding its sugar cane cultivation to other states in order to attain its production goal of 5 billion litres of ethanol by 2014. This is more than double the production level of Raizen of 2.2 billion litres of ethanol reported by Mendonça et al. in 2013.

In expanding Brazilian sugarcane cultivation, Raizen and other companies also receive assistance from the Brazilian state that goes beyond subsidised loans. The government recently increased the mix of ethanol in Brazilian gasoline from 20 to 25 per cent and the price of fossil fuel by 6.6 per cent at the refinery gate (Folha de São Paulo, July 10 2012 and Nielsen 2012). The combined effect of these decisions will be to raise annual demand for ethanol by 4 billion litres at the same time as the ethanol price will increase. This is possible, since in Brazil the price of ethanol competes directly with fossil fuel at the pump. These developments happen in a context where Petrobras, the state-controlled oil company, is greatly underperforming. Its inability to increase production on schedule has led to large and expensive oil imports. According to Etherington, “Petrobras’ poor performance on both economic and production fronts has come at a crucial time for the fast-growing Brazilian economy ... Brazil, with Petrobras as its vehicle for reaching its energy goals, remains a long way off energy self-sufficiency” (quoted in Nielsen 2012).

The problems in the sugar/oil/energy sector of Brazil, despite the heavy investments and direct and indirect subsidies it has benefited from, may help to explain part of Brazil’s recent economic downturn. In addressing the productivity decline in the sugar/oil/energy production sectors, the Brazilian state seems to be making Brazilian consumers bear the economic brunt through increased energy prices. The annual inflation rate of the Brazilian economy was recently reported to around 6.5 per cent, while the economic growth rate is just 0.6 per cent compared to the fourth quarter, “President Dilma Rousseff’s numerous stimulus packages failed to aid manufacturers while consumers, frightened by rising inflation grow more conservative (Global Post, 1 October 2013). This development has happened despite record corn and soy harvests and a rebound in
investments to 4.6 per cent compared to the fourth quarter. Growth performances are also weak in other transitional economies, including India and South Africa. China is expected in 2013 to record its lowest growth in 14 years. 7.5 per cent (ChinaDaily, 20-26 September 2013). Hence, the BRICS will be likely not to serve as the engine for renewed world economic growth, as hoped by many.

Respect for existing rights to land and resources refer to responsible investment principle (iii) as developed by the institutional investors. From the start of its agricultural investments, AP2 decided to concentrate on countries with clear legal structures relating to land and resource ownership. This has kept AP2 away from African agriculture, where ownership issues are extremely complex because of customary land and resource rights and poor tenure governance. The potential for delays and conflicts over land connected with large-scale investments is therefore high in Africa. The sugarcane/ethanol sector is currently facing weakened global demand, in part due to the recent shrinkage of the guaranteed EU market. On the other hand, declining global support for food-based energy production, such as sugar/ethanol, could signify that environmental and food security issues are being taken more seriously. As reported in the Wall Street Journal (11 September 2013), “such fuels are increasingly seen by experts, including the European Commission, as diverting farm production away from food crops, thus potentially driving up food prices.”

To ascertain the ownership of agricultural properties to be purchased by TCGA, Radar conducts a detailed historic investigation of the land ownership issues, starting from when the land was first sold by the government (AP2 2013:7). The original acquisition of the land, however, is a complicated and at times bloody historical matter, involving colonisation, violence and the displacement of indigenous people (Fernandes et al. 2012). This history lingers, in particular in states with high indigenous populations located inside or bordering on the Amazon, as well as Mato Grosso do Sul (Mendonça et al. 2013:18-21).

The latter state is renowned for its biodiversity and abundance of water resources (such as in the Pantanal), but is notorious for its violent history of colonisation and marginalisation of indigenous people. Mato Grosso do Sul is currently one of the federal states in

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7 E.g. recent conflicts in the Mato Grosso do Sul State have been reported in various media; BBC News Latin America and Carribean (November 29 2013), “Brazil National Force sent to land dispute region” and the Guardian (Jonathan Watts) (August 8 2013), titled “Killings of Brazilian Indigenous Indians highlight tensions of land disputes” which mentions that the Council of Indigenous Missionary of Brazil (Conselho Indigenista Missionário) has recently reported that, “452 indigenous people were murdered between 2002 and 2010, sharply up from the 167 killed during the previous eight years” (ibid).
which large-scale agricultural investments are intensifying in terms of sugarcane, soybean, genetically modified corn plantations and extensive livestock farming and where land ownership is highly contested. This contestation is exemplified by the fact that Raizen recently signed a Change in Conduct agreement with Brazilian public prosecutors for having “used sugarcane planted by the Nova America estate on indigenous land in Caarapa, south of Dourados. The territorial expansion of mono-cropping occurs mainly in areas with access to infrastructure and in regions with vast water basins, like the Cerrado” (Mendonça et al. 2013:18). According to AP2, “TCGA does not invest in neither the Amazon or Mato Gross do Sol.”

This incident, according to AP2, concerns a land dispute between one of Raizen’s suppliers in Mato Grosso do Sol and the Guarani people. The property in question was leased by an operator who supplied sugarcane to Raizen and which “grew sugarcane on land which is undergoing a study regarding the possible existence of an Indian reservation” (Information provided by AP2, October 28 2013). The six step process to identify/declare land as belonging to indigenous people was, however, stopped in step four when the court/judge declared that, “the land did not belong to native Indians. It was the legal court of Mato Grosso do Sul that ruled in favour of the land owner in this particular case” (ibid., Raizen published a similar response on the website of Business & Human Rights Resource Centre in June 2011). In the end, according to AP2, “Raizen decided to stop buying sugarcane from this farm even though the farmer had no legal restriction to produce sugarcane here.”

The Brazilian government had already in 2009 attempted to manage the expansion of sugar cane by establishing regulations for the agro-environmental zooning for the crop and its cultivation. Areas are classified according to their agronomic suitability for sugarcane cultivation, subject to environmental limitations and constraints (no-go-areas such as the Amazon and the Pantanal biomes) (Nassar and Moreira 2013). The concentration and expansion of the sugar cane cultivation of Brazil are, however, still in the south-central areas.

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8 As to the size of agricultural land Worldstat figures presented show that it (% of land area) was measured at 30.9% in 2007 (Worldstat.info, http://en.worldstat.info/world/land) and at 32.5 per cent by the World Bank in 2011. Some of the commentators claim that there is an imbalance between the low level of indigenous population in Brazil compared to the land they access. The access to land of indigenous people in present day Brazil must, however, be understood in a historical context. At the time of colonization, beginning in 1500, the indigenous people constituted the entire population of what was to become Brazil. Due to systematic extinction of the indigenous people by the colonizing power and domestic land grabbers (so-called grileiros) and partly through assimilation of the indigenous population, they lost control of most of their land. Currently most of them live under difficult social, cultural and economic conditions in reservations (reservas) that have been established by the Brazilian government. Conflicts relating to the land of these indigenous reservas still exist until this day, see previous note.
of the country where 87% of the sugar cane is grown. According to Nassar and Moreira (2013:12), “Total sugar-cane area in South-Central region of Brazil has increased by 4.3 million ha from 2005 – 2012.” Within this area much of the smallholders land have been bought by large scale investors, including companies and pension funds with agencies acting on their behalf. One example is the smallholder settlement (assentamento) Facenda Primavera in the State of São Paulo where 75 per cent of the smallholder land has been bought by large scale investors for sugar cane cultivation during recent years. Houses of smallholder families in the area have been abandoned who many family members have migrated to the larger cities of the state of São Paulo. Radar also requests detailed information from local and national agencies to assess in the best possible way the quality and potential of agricultural properties. In many regions of Brazil, conflicts over land have decreased over the last year, since laws require that all agricultural properties be registered with GPS-coordinates when being sold or bought. Before the final registration of an agricultural property, all adjacent property owners must accept these coordinates. Radar insists that all agricultural properties it helps to purchase, including those for TCGA, undergo such a process.

As to principle (iv), focusing on proper business ethics and high ethical standards, it appears that AP2 is attempting to live up to the instructions of the Swedish parliament. The initiative by like-minded institutional investors to develop responsible principles for agricultural investment is an example of this. However, there are as well important constraints in ensuring successful implementation of the latter principles. These are related to a number of issues:

(i) AP2’s expectations that their Brazilian large-scale agricultural investments will increase food production seem far-fetched. Most of the investments are in sugarcane/energy, and in soybeans that are mainly used as animal fodder which is a highly inefficient way of food production. The expansion of large-scale agriculture in Brazil, which presently accounts for 76 per cent of the cultivated area but generates only 62 per cent of gross annual agricultural value, is displacing smallholders, legally and illegally, who are the major food producers. Of Brazil’s basic food supplies, 60 per cent derive from smallholders owning or leasing less than 20 ha (http://www.ibge.gov.br). These smallholders also employ most of the people engaged in the sector, 74 per cent, compared to 26 per cent by large-scale agriculture. Although small scale and large scale agricultural

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9 Personal communication Bernardo M. Fernandes, State University of São Paulo, UNESP, January 30 2014. This process constitutes what can be termed legal displacement of smallholders.
producers complement each other as to crops, they compete for the land (Fernandes et al. 2012).  

(ii) Cultivation on the agricultural properties owned by TCGA is by companies that lease the land and determine the choice of crops, production methods and sales and processing. These companies have to sign contracts requiring them to follow various laws and regulations and the principles for responsible agricultural investments promoted by the institutional investors. Information about Raizen and Cosan, the latter being the co-owner of Radar with TIAA-CREF, shows that many of their activities are not in compliance with the responsible principles of the institutional investors, in particular those related to labour (principle ii), but also to indigenous landowners, as in Mato Grosso do Sul (principle iii). As to the investments by AP2 in large scale Brazilian agriculture, AP2 declines to disclose the sites. It is accordingly not possible for this study to make any conclusion about the impacts of AP2’s investments and their implications for development, incomes, labour, climate etc. What is confirmed, however, is that Radar is the agent for TCGA and AP2 in identifying, purchasing and managing their land properties in Brazil.  

(iii) TCGA’s and AP2’s investments in Brazilian large-scale mechanised agriculture aim at securing low risk and long-term returns on the money they manage on behalf of pension systems in their respective countries. In addition, these investments are to be conducted according to the principles for responsible investments. Although my analysis shows that some of the agricultural investments of Cosan and Raizen do not comply with the responsible principles of institutional investors, this conclusion is not possible to draw as regards Radar, which is a pure real estate company which does not itself operate any farms. Swedwatch reports that Radar by 2012 had bought 392 agricultural properties and had plans for expansion (Swedwatch 2013b:14). This seems to correspond well to the mother company’s plan to increase the volume of ethanol production from sugar cane to 5 billion liters by 2014. To attain this objective Raizen is cooperating with more than 3000 strategic partners. These

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10 Some commentators claim that there is no displacement of smallholders by large scale agriculture and that most of the time large scale agriculture is the primary option to expand agriculture in regions with lack of infrastructure and that require huge investments and cannot be achieved by the small holders. However, as referred to in this report, much of the expansion of large scale sugar cane cultivation has taken place in the South-Central part of Brazil in particular in the State of São Paulo, which is one of the states with the best infrastructure.

11 Olivecrona in a comment to the December 12 2013 version of this report states that Radar does not invest in Mato Gross do Sul.
partners supply 50 per cent of all the sugar cane processed by the company (Raizen homepage http://www.raizen.com.br/strategic partnerships, accessed October 25 2013).

(iv) From 2005 to 2010 greenhouse gas emissions (GHG) from Brazilian agriculture as a share of total GHS emissions, increased from 20 to 35 per cent. This made agriculture the major sector of Brazilian GHG emissions in 2010 (Nobre 2013). Since large scale agricultural expansion into new areas has been a characteristic feature of Brazilian agriculture during the period in question, it is likely that large scale agriculture also accounts for the major share of the negative climate change connected with the agricultural sector. Agricultural expansion through mechanisation has also other environmental impacts including the compacting of land which increases water and wind erosion and as well it may endanger biodiversity. The termination of burning will, however, improve the biodiversity situation in the sugar cane cutting processes (Pietrafesa et al. 2010).

Given this context, AP2’s unwillingness to disclose the location of its large-scale agricultural investments in Brazil through its ownership in TCGA and outsourcing of agricultural property management to Radar does not seem wise. Greater openness and transparency would make possible for concerned stakeholders in Sweden and Brazil,
including NGOs, researchers and the Swedish pensioners whose money is, after all, being invested by AP2 to be informed about the character and impacts of the investments. A step in this direction was taken by AP2 when NGOs were invited to visit AP2 farms in Brazil. However, Swedwatch declined this invitation because the condition was that the agreement that it was asked to sign implied that no information could be given as to the location of the investments, neither to persons or organisations (Swedwatch May 2013).

By disclosing the investment sites, AP2 could also receive assistance from Swedish, Brazilian and international competencies in assessing how AP2’s large scale agricultural investments in Brazil, can match the expectations set out in the laws, regulations, guidelines and conventions. The complexity of Brazilian agriculture and society and the wide-ranging character of laws, conventions and instructions that guide AP2’s investments, make such disclosures important, not only for AP2 but also for other institutional investors.

**Diocese of Västerås, Niassa, Mozambique (forest plantation)**

Sweden and the Church of Sweden have had a long relationship with Mozambique both through development assistance and church support. The Swedish government strongly supported the liberation movement, FRELIMO. Mozambique finally gained independence in 1975. Two years later, Renamo guerrillas, from bases in then Rhodesia, attacked the newly installed independent government and a bloody internal war lasted until the peace accord of October 1992. The civil war also badly affected the northern Niassa region of Mozambique, which is as large as England, and its sparse population of around one million people. The government has since made several attempts to develop the country’s northern periphery. The Swedish international development agency, Sida, has also since the late 1990s been engaged in supporting Niassa Province through a comprehensive private sector oriented development programme (Sida 1999 and Havnevik et al. 2003:57-64).

In the mid-1990s, a presidential agreement was reached between South Africa and Mozambique. Named Mozagrius, it aimed at attracting white South African farmers to Niassa. The idea was to develop the vast agricultural areas using modern agricultural technologies. Fewer South Africans arrived than anticipated and after some years most of them had left. Mozambique’s President Armando

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12 Swedwatch in a release on May 14 2013 as well stated that the organization in the future would like to visit the AP2 farm investments in Brazil “under condition that that the demands on secrecy does not obstruct the possibility for an objective description” (my translation).
Guebuza made reference to this plan in July 2008 when he visited Niassa: “Success of the green revolution lies in the hands of the family sector, not of big projects such as Mozagrius ... Large scale projects may not respond to the goals of the green revolution because their primary objective is to make profit” (www.chinaview.cnn 23 July 2008, accessed October 6 2013). What the president did not say, or the reporter failed to note, was that the major problem faced by the South African farmers was conflicts over land. The South Africans wanted the best land for large scale agriculture, but the presidential agreement had been made without consulting affected local smallholders and communities in Niassa (Gewer 2002).

Tensions relating to land ownership exist in all African countries. The major reason is that land is extremely important to the rural population, given the lack of alternative employment in industry, service sectors, etc. With the economic stagnation and structural adjustment programs of the 1980s and onwards, cross-border work opportunities for rural people also diminished. Simply put, exit options diminished (Gibbon et al. 1993). This is also true of Niassa. Here, most people live by small-scale agriculture and major crops are beans, peanuts, maize, cassava and potatoes. In addition, people secure their livelihoods by hunting and fishing. The latter is particularly important, since the region borders on Lake Niassa/Malawi. Livestock keeping, however, is fairly uncommon in the region. The agricultural system involves rotation between plots to allow soil fertility to
regenerate. Hence, large areas may be unused at any time, even though they are integral to the predominant small-scale farming system.

Mozambique finalised its constitution and land law in 1997 (Lei no. 19/97). The latter is unique in its attempt to mix traditional land ownership with more modern property rights. It stipulates a right to use and benefit from land (Direito de uso e aproveitamento da terra, DUAT). A DUAT can be acquired by (i) a community using the land, (ii) by individual Mozambicans using the land in ‘good faith’ for at least ten years, and (iii) in response to an application. Categories (i) and (ii) are given permanent rights, while category (iii) receives a 50 year lease. The Mozambican state is, however, the ultimate owner of land, as is the case in Tanzania and Ethiopia. In African countries where the state holds the radical title to land, while villages, communities and other entities manage the land on behalf of the state, the ownership and management structures become layered and are guided by complex regulations at different administrative levels. Contestations often occur regarding who has the legitimate right to represent the local land manager(s) and hence conflicts often arise (Havnevik 1995; Cuellar et al. 2006; Åkesson et al. 2009).

A DUAT is a right, but at times also a title document (Título do DUAT). The land law specifies that for categories (i) and (ii), the DUAT is an automatically acquired right and that the title document is not required. Category (iii) is intended for investors (small or large) for whom it is mandatory to obtain a Título do DUAT. In 1998, land regulations were issued that stressed the difference between the two types of land rights. Categories (i) and (ii) can gain legal recognition of occupancy through delimitation of the land. This can be done by simply setting out the boundaries with fences or following a stream. Such demarcation is easy and inexpensive and a certificate is issued. However, those wishing for a title document need to demarcate their land. This means that they must set out the boundaries with GPS equipment and also put posts in the ground. This is a much more expensive and complicated process (Mozambican Political Process Bulletin 2011:3).

The Mozambican land system has enabled a flexible use and ownership structure whereby control over major land areas has been removed from communities. The World Bank made the following observation: “In Tanzania where land rights are firmly vested in villages, less than 50 000 ha were transferred to investors between January 2004 and June 2009. By contrast over the same period in Mozambique, 2.7 million ha were transferred. But a 2009 land audit found that some 50 % of this transfer of land was unused or not fully utilized” (Deininger et al. 2011). Data show that foreign investors were
granted one million of the 2.7 million ha transferred, “73 per cent of which are for the forestry sector, and 13 per cent for agrofuels and sugar” (IRIN 2013: 2). The National Reforestation Strategy has the objective of establishing on 1.3 million ha of forest during the next 20 years (Seufert not dated:1). Niassa is one of the provinces targeted for tree planting.

Sweden also has a strong interest in developing the Niassa periphery. The diocese of Västerås has since the early 1990s supported and cooperated with the Anglican diocese in Niassa and the respective bishops have been very active in this cooperation. Later, the Swedish International Development Agency, Sida, became interested in the region. The idea was to set up a development program that could attract, facilitate and support the private sector, including foreign investments in the province. Both church and aid representatives had become frustrated with the lack of results of official development assistance based on state-to-state relationships. Development assistance needed new energy and Niassa needed dynamic investments to overcome constraints on its development and modernisation (Havnevik et al. 2003:57-64 and Jönsson 2012: 88-92). The general idea behind the Sida program, Malonda, “is to bring knowledge and capital into the province. This is planned to come about by attracting outside investors and traders” (Havnevik et al. 2003:59). As well, support to large-scale farming and promotion of investments from neighbouring countries were envisaged as part of the program.

The Malonda program and the Malonda Foundation, the latter established in January 2005, eventually facilitated six companies in Niassa province, including the forest plantation promoted by the dioceses of Västerås and Niassa. A Global Solidarity Forest Fund (GSFF) was established in 2006 by the diocese of Västerås and OVF, a national Norwegian church foundation, of which Chikweti Forests of Niassa was a subsidiary company. On its home page (accessed 8 October 2013), OVF states that the investment in GSFF is an ethical investment and refers readers to the home page of Västerås Diocese Forest AB, which in its turn refers to the home page of GSFF (www.gsff.se) where no information about GSFF can be found, except its objective (see below).

Chikweti was to establish the forest plantation in Niassa. The bishops in Sweden and Mozambique, assisted by some of their trusted people, had themselves developed a vision of how the welfare of the people of Niassa should improve. The bishops were eager to explain that their strategy for a large-scale forest plantation was two-pronged: the Chikweti company should “develop projects that provide returns to investments and at the same time promote
community development and environmental integrity.” Hence, the project was to rest on three activities: (i) for-profit commercial forestry, (ii) concerted emphasis on environmental integrity and (iii) community-based development. Chikweti would be responsible for (i) and (ii), while the diocese of Niassa would take care of community development. Hence, GSFF and its operational arm Chikweti tend to behave like most large-scale foreign investors by promoting a win-win discourse about their investments.

International investors readily provided liquid finances to increase the resources available to GSFF. The diocese of Västerås provided SEK 75 million to GSFF and the OVF fund of the Church of Norway a similar amount, giving both 5 per cent ownership in GSFF. The diocese of Västerås, the Church of Sweden and OVF jointly established Global Solidarity Fund International (GSFI) as an international asset management company to manage GSFF. Given the broad and public trust of Nordic church institutions that GSFF enjoyed, it was easy for it to mobilise additional investment funds: the Dutch pension fund ABP provided SEK 415 million, a Danish pension fund another SEK 135 million and an American university SEK 60 million. In total, GSFF mobilised around SEK 750 million or USD 100 million. In addition, it was hoped that the investors could mobilise another USD 60 million among co-investors. Ten per cent of the Chikweti company was owned by Mozambican interests, of which 9 per cent was in the hands of the Anglican diocese of Niassa. The Memorandum of Investment aims at an internal rate of return in real terms of 13 per cent annually for the investment (FIAN 2012:16)

In February 2007, GSFF was informed that GSFI had started forest investments in Mozambique. The total investment of USD 127 million was to be made over a ten-year period. The Memorandum of Investment states that “Chikweti focuses on reforestation with commercial tree plantation in Niassa Province. A total of 140,000 ha of degraded forest shall be managed.” The plan was to plant 68,500 ha with fast-growing tree species and the remaining 71,500 ha to be set aside as protected or responsibly managed ecosystems. The land was to be leased by the government of Mozambique for a period of 50 plus 50 years. Final harvesting of the trees was planned to occur at 18 to 30 years of age, depending on species. The comparable growing time before harvest in Sweden would be about 70 years. Information provided about markets indicated that for the first five years after the start of harvesting, the market would be local and regional. Beyond that, trees would be destined for export markets, including India, Asian countries and Europe (FIAN 2012).

In 2011, Chikweti claimed that it held DUAT titles to 51,000 ha in
the districts of Lago, Lichinga and Sanga, of which about 13,000 ha had been planted (FIAN 2012:17). The company stated it had applied for DUATs to 45,371 ha and was holding preliminary DUATs, of which 13,454 ha had been planted (ibid.). The original plan was to plant 92 per cent of the plantation with pine trees and the remaining area with eucalyptus. Due to slower growth than expected of the pine trees, the strategy later changed, so that the aim was to plant 90 per cent eucalyptus on the new plantations. In June 2013, the new chairman of GSFF and Chikwete stated at a meeting in Västerås that the plan was to plant 75,000 ha of eucalyptus.

Problems relating to the process of preparing for the plantation and the consultations with stakeholders, including local communities and smallholders, had been known at an early stage. Cuellar et al. (2006:43) who made a field visit to Lichinga in 2006, stated that, “the current system of extensive shifting cultivation is not compatible in the long run with the plantation forestry. Changing patterns of cultivation that has been in place for hundreds of years are not an easy task, but efforts must be commenced.” In addition, the report recommended, given the complex land rights, that a number of concrete steps be undertaken by the investor such as (i) redesigning the plantation block system, (ii) defining rights to and obligations for different areas within the DUAT zones and (iii) establishing Production Units in villages such as Muembe, Chiconono and Chimbonilla, “in order to establish good relations with local communities” (Cuellar et al. 2006:45). Three years later, Åkesson et al. (2009:77) reported that:

... so far only small areas have been planted and few villages affected. Yet, communities have begun to feel unsafe and raise issues and concerns regarding their fear of future limited access to land. This shows that the process is not running properly, or in a satisfactory manner. However since plantations are only in their initial stage, there is still a chance to correct shortcomings and improve methods to be applied in future activities.

Chikweti did not act on this early advice and, not surprisingly, from the beginning of the development of the plantations, complaints from communities in the affected districts, Lago, Lichinga and Sanga, arose. In some cases, as in Licole in Sanga district, the complaints led to open resistance and conflict. Here, smallholders in April 2011 uprooted and cut down 60,000 pine trees on 12 ha using machetes and pangas. On 13 June 2011, conflicts in Licole recurred and some of the company’s buildings were set alight (FIAN 2012:19). In a written comment on the draft of FIAN’s 2012 report, Chikweti and GSFF claim that the conflict
was “the result of community conflict and the company lands (have) become the bone of contention as a result of external factors” (FIAN 2012:42, note 126). According to IRIN, Chikweti estimates that between 2007 and 2012 it lost USD 1 million to fires, of which 60 per cent are considered criminal. The highest number of fires occurred in 2012 (IRIN 2013:1).

There were different causes of the conflicts, according to smallholders. For instance, in Maniamba community in Lago district the problem was “loss of access to fertile land, which they were using for food production, due to the establishment of the tree plantation” (FIAN 2012:18). In Lipande in Sanga district, the problem was that the plantation was situated close to smallholders’ fields and the houses of local communities (MINAG/DNTF 2010:42). In Mapudja, Miala and Cazize communities, in Sanga district, some people found that the plantation shaded their crops, inhibiting growth (ibid.: 41). In other areas, people had actually agreed to cede land to the plantation, but “some complained that the plantations were expanded to lands which were not ceded to the companies” (FIAN 2012:19). It is difficult to verify reports of specific complaints. At a structural level, however, it seems clear that there were a number of problematic aspects in the company’s interactions with local communities. The company had employed local leaders whose loyalty became blurred, it made oral promises that were not fulfilled and it promised jobs in exchange for land (FIAN 2012 and Jönsson 2012).

A Swedish fact finding mission to Chikweti/Niassa in October 2013 identified positive changes since 2011 as regards the company leadership and its cooperation with the communities. However, one of the mission members, Erik Sjöstrand, also stated that, “Many difficult problems need to be managed in the future, in the relations between the company, communities and public institutions. This will require a continued open dialogue in order not to return to the problems that had earlier occurred in Niassa (Kyrkans Tidning, The Newspaper of the Church of Sweden, 31 October 2013:7, author’s translation).

On the basis of the complaints and increasing tensions in the area, the Mozambican government decided in 2010 to conduct an investigation. The Ministry of Agriculture (MINAG) and the National Directorate of Lands and Forests (Direcção National de Terras e Florestas, DNTF) were tasked with investigating smallholder complaints. To a large extent, they confirmed the complaints of the smallholders against the company (FIAN 2012:19):

(i) The investigation found that Chikweti at the time of the complaints had obtained DUATs for about 30,000 ha, but that it was
occupying another 32,000 ha illegally.\(^{13}\)

(ii) In several communities, Chikweti had “invaded the land of local people, planting in productive farmland as well as in local pastures.”

(iii) Chikweti has started some of its operations before obtaining DUATs and in some cases “before carrying out the consultations with local community, required by the Mozambican Land Law.”

(iv) In some places, trees had been planted very close to the fields and homes of local people.

(v) In some areas, smallholder fields (machambas) were inside the plantation itself.

The MINAG and DNTF investigation thus substantiated smallholder complaints regarding the operations of Chikwete, which had led to (i) loss of access to farmland, (ii) an increasing number of fields had to be located farther away from homes, and that (iii) trees cast shadows over fields.

It was confirmed by MINAG and DNTF that provincial authorities had intervened in favour of the company (MINAG/DNTF 2010:38 quoted by FIAN 2012:19). The complaints also related to non-fulfilment of promises connected with the establishment of the plantations, specifically gaps in the consultations required by Mozambican law. The investigation report stated that, “indeed, interviews with community members and leaders strongly suggest that peasants are not aware of how long they have ceded their lands” (ibid.).

In spite of confirmation by MINAG/DNTF of the substance of community and smallholder complaints about Chikweti, the investigation report’s recommendations were rather weak and the report was never published (FIAN 2012:27). The government had stopped land concessions of more than 1,000 ha in late 2009 and the Council of Ministers decided in August 2010 to change the procedures for consultation to be carried out by investors with local communities in stating that a minimum of two meetings, not one is required (FIAN 2012:27).

The increasing tensions in Niassa between communities and Chikweti did not go unnoticed. Closest to the problems was the bishop of the Anglican diocese, a US national who had lived for

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\(^{13}\) This finding relating to illegal DUATS in the hands of Chikweti in 2010 is questioned by the recent Swedish fact finding mission to Chikweti (October 2013). According to the fact finding mission, currently Chikweti holds DUATS for 25,000 ha of which 16,000 ha have been planted. The 32,000 ha of illegal DUATS, as shown by the MINAT/DNTF study of 2010, is questioned. It is suggested that the issue of illegal DUATS related to a conflict between the Sida supported Malonda programme and Chikweti at the time. This study has not had the possibility to go into further depth on this issue. The intention is, through literature review and interviews, to report the differing views on this complex problem/issue.
decades in Mozambique. He made several attempts, the first in August 2009, to bring these problems to the attention of the Swedish bishop of Västerås, but without success (Jönsson 2012:96). The latter, after he was pensioned as bishop, became the full-time working chairman of the board of GSFF. The Niassa bishop was concerned by the lack of benefits for the local population, and that the conservation of natural forests, planned to equal the size of the planted area, had come to nothing. Although local people received USD 2 a day for planting trees, this was not much considering that one litre of milk cost about USD 2.50 in the area. In addition, most of those employed by Chikweti were seasonal labourers. The differences in working conditions and salary between the local population and the Swedish director and her expatriate colleagues from different continents were immense. The Swedish director received SEK 100,000 a month and the Swedish engineer under her, SEK 70,000 plus other benefits, whereas expatriates from Central and South America earned less. The American bishop was of the opinion that the Swedish director of Chikweti had “established a system similar to Apartheid – the whiter, the higher your salary” (Jönsson 2012:97).

In 2011, the Swedish director of Chikweti was fired and subsequently the Swedish bishop who had taken over as working chairman left GSFF. A Swedish national with long-term forestry experience in Latin America and knowledge of Portuguese was appointed the new chairman of GSFF. In addition, a new director of Chikweti was recruited, a South African with wide experience of forestry in Africa.

No information can be found on the GSFF homepage as to developments at Chikweti since 2011. A recent report by IRIN (2013), states that gradual changes have taken place since the new personnel arrived at GSFF and Chikweti in 2011. The new director has stated that the land disputes were caused by a number of issues, “including poor communication and high expectation about the company would play in developing local communities” (IRIN 2013:3). The company concedes as well that “the land dispute was rooted in the initial failed, consultation process, which did not involve either an entire community or neglected to consult others that were to be affected” (IRIN 2013:1). The new director has spent his two first years slowing the company’s expansion plans, improving labour relations and working to engage local communities.

To move ahead in this area, Chikweti has recruited trained conflict resolution experts from the province in order to establish regular dialogue with affected communities in their local language. The
company has also established a community fund, which has supported the building of mosques, maternity facilities, health posts, schools and bridges (IRIN 2013:1). The effect of this improved outreach has led to lower tension between Chikweti and local communities. It also appears that the new leadership of the Chikweti company has apologized to the local communities and populations for some of the company’s past wrongdoings, however not all. Such apologies, however, are completely lacking on part of the owners of the investments, including the church institutions the diocese of Västerås and the Church of Norway (OVF) (Kyrkans Tidning 2013:7 referring to the blogg of Kajsa Johansson, former head of We Affect in Niassa region).

Chikweti has also started rotating casual employees so that incomes can be better distributed among communities. More permanent jobs are envisaged when expansion plans come into effect. Since 2011, the local government has not accepted new applications to transfer communal land for plantations. This will not happen, according to officials, until existing conflicts have been resolved. The director of the agricultural department in Lichinga district stated that “we will use the best methods we can find to secure a massive participation. We don’t want any more reports about land conflicts because of poorly done consultation processes” (IRIN 2013:3).

As to future plans, Chikweti has advised that it aims to create a
100,000 ha pine and eucalyptus plantation and that the initiative aims to provide returns to investors while simultaneously improving the livelihoods of communities (IRIN 2013:1). The win-win discourse of GSFF and Chikweti, however, remains.

The Swedish fact-finding mission that visited Niassa in October 2013 met with the Chikweti company, local civil society organisations, government representatives and communities affected by the tree plantations. The delegation included representatives from the diocese of Västerås, the Church of Sweden at national level, WWF Sweden and We Effect, a Swedish development NGO which has supported rural development on the ground in Niassa for a long time. The objective of the mission is inter alia to make a joint assessment of the impact of the project including the critical issues that have been raised, and to identify lessons learned and areas for further development (refer above).

My investigation finds that until 2011 this tree-planting investment put local smallholders’ access to land at risk and thus increased the risk of making smallholders more food insecure. Consultation processes relating to the investment were also insufficient. This was signalled by independent researchers and various studies at an early stage of the project, i.e. during 2006-08 (refer Cuellar et al. 2006 and Åkesson et al. 2009). The recommendations put forward in these studies were not followed up by GSFF and Chikweti. The outcome, as confirmed by MINAG/DNTF, was a number of different conflicts at different levels.

The Niassa tree plantation project does not comply with some of the responsible guidelines for agricultural investments developed and promoted by institutional investors in September 2011 (refer the case study on large scale investments in Brazilian agriculture). In particular, principle (iii), respect for existing land rights and resources, has been disregarded in this case. ABF, the Dutch investor in GSFF, had signed on to these principles. Hence, the case shows that self-regulation by investors has not prevented human rights abuses including the weakening of smallholder farmers’ right to food. The Swedish fact finding mission to Niassa in October 2013 indicates that the owners of the investments, the respective shareholders of GSFF, have shown willingness to monitor and follow up the change processes initiated with the instalment of the new and professional management of Chikweti and chairman of the board of GSFF in 2011. The faulty process connected with GSFF and the Chikweti company during 2005 to 2011 also led to significant negative implications for the return on investments in the forest plantation (see below).
Some concluding reflections on large-scale agricultural and forestry investments
These three case studies of large-scale investments in agriculture (Brazil), biofuels (Sierra Leone) and forestry (Mozambique) by institutional investors/pension funds, a commercial company and church dioceses reveal the following:

(i) All investors present their investments as a win-win discourse.
(ii) All investors refer to a number of guidelines, regulations and laws, international or self-initiated, that should guide their investments to achieve the win-win objective, i.e. the investments should benefit all stakeholders and not have negative environmental and climatic impacts.
(iii) The findings from the case studies of Addax Bioenergy, Sierra Leone and GSFF/Church institutions, Mozambique (the latter assessed until 2011), show that a win-win outcome could not be attained so far, even from the point of view of the investors. For AP2’s investments in Brazil, this study cannot ascertain the investment impacts, since the locations or investment sites are kept secret. However, a broader analysis of the Brazilian large-scale agricultural sector, in particular the sugarcane/energy complex, reveals a number of cases of disrespect for land rights and labour regulations.

The perspectives on the investments held by local populations, smallholders and agricultural workers, whose livelihoods are based in the areas where Addax Bioenergy and the GSFF projects are located, are different from those of the investors. They do not subscribe to the win-win perspective. Rather, the analysis of interviews and secondary literature shows that at the receiving end these investments are basically found to be lose-lose. The Addax investment is mostly negative in the eyes and experience of the local population, but it is also likely to face problems in generating the expected return on investment in the longer run. One major reason for this is the negative attitudes emerging on the use of land-based energy in, for example, the EU. This threatens to undermine the ‘guaranteed’ export market for ethanol.

Until 2011 GSFF and Chikweti for their part had not been able to develop their tree plantations according to original plans. Poor assessment of environmental conditions for pine trees led to lower than expected growth. In addition, protests and conflicts with the local population cast the project as a lose-lose phenomenon in their eyes. These developments were also apparent in the 2010 annual
A report of the Diocese of Västerås. This report informed that a 25 per cent write off of the value of the investment in GSFF had been made (http://www.vasterasstift.nu/PDF/PLT_2010_webb.pdf).

The AP2 investments can only be gauged in terms of likely impacts based on analysis of structural trends in the Brazilian sugar/ethanol/energy and agricultural sector. On this basis, this study finds it possible that some of the investments in large-scale Brazilian agriculture that Radar manages in some way breach or undermine principles relating to labour regulations (principle ii) and respect for land and resources rights (principle iii) of the institutional investors’ Principles for Responsible Investment in Farmland (2011). By becoming more transparent about its investments in Brazil, AP2 could possibly remove any doubt that its investments constitute a breach with the institutional investors’ principles. A step in this direction was the initiative by AP2 to invite representatives from NGOs to visit its agricultural investment sites in Brazil. The condition, however, was that they were forbidden to report about the locations of the investments. Swedwatch found this unacceptable and thus declined the invitation (Swedwatch May 2013).

The investigation and analyses presented in this discussion paper show that different discourses exist when the investments are looked at from the perspective of the investors and that of the population affected by them. Investors envisage win-win discourses, while the local populations/workers experience lose-lose scenarios. All stakeholders undoubtedly would agree that win-win discourses are preferable. However, since guidelines, regulations and laws have been developed to close the gap between win-win investment discourses and their impacts in the areas in which they are located, without being able to close the gaps, a reasonable conclusion is that the guidelines and regulations have been ineffective. My judgement is that the win-win discourse is likely not to be realised by the investments by Addax Bioenergy and the Diocese of Västerås because of miscalculations by the investors about the pre-conditions of the investments. This also impacted negatively on their implementation processes. On this background, it was wise by the investors to amend their plans and implementation processes, e.g. to shelve planned expansions (Addax Bioenergy) and to restart the project (as the Diocese of Västerås did after 2011).

Despite these failings, the documents show that large commercial investors, such as Addax Bioenergy, and church investors such as the Diocese of Västerås/OVF retain the win-win discourse. The experiences of these two large-scale investments do not seem to be
unique. From their research into large-scale biofuel investments, Neville and Dauvergne (2012:279) report that “particularly in sub-Saharan Africa, the outcomes so far have largely been lose-lose: communities and environmentalists perceive a loss of control over land and ecosystems, and corporations and developers have yet to turn a significant profit.” They continue: “Moreover, this is not a case of a few deals gone wrong, but rather appears to be a systemic pattern of unresolved struggles over land acquisitions and development paths.” Maybe Neville and Dauvergne did not have a sufficiently comprehensive empirical basis to claim such a general or broad conclusion.

However, the recent FAO study (2013b), which has a much broader empirical basis, arrives at similar conclusions to those of Neville and Dauvergne. The FAO study suggests that for investments involving large-scale acquisitions in countries where land rights are unclear and insecure, the disadvantages often outweigh the few benefits to the local community, especially in the short run. The study continues, “This outcome is even more likely when the acquired land was previously utilised by local people, either formally or informally. Consequently, acquisition of already-utilized land to establish new large farms should be avoided and other forms of investment should be considered. Even from the investor’s perspective, business models that do not involve the transfer of land control are likely to be more profitable.” Other publications focusing on large-scale agricultural investments, in particular in biofuels, also support the findings of the FAO study (Matondi et al. 2011, Cotula 2013 and Abdallah et al. 2014; and various mission reports by the UN Rapporteur on the right to food).

The key question is not so much the modification and improvement of the different principles and guidelines that have been developed in international forums. Rather, it is the attainment of a deeper understanding of the character and implications of the broader structural frame and type of relationships within which such investments occur. On the one hand, there is the large-scale investor, most often a Western/emerging economy company, church institution, pension fund, etc. seeking economic returns on investments in the territory of ‘others.’ At the same time, investors, by trying to adhere to various principles and guidelines, hope that the ‘others,’ be they the rural population or agricultural workers in Africa, Latin-America or some other continent, will also benefit. An important feature of most of these investments is that they cross economic, social, cultural and spatial boundaries. In order to
turn ownership or the locational advantages of foreign investors into benefits that can be shared with local stakeholders, a better understanding of local contexts seems to be necessary on which improved interactions with local societies and communities can be established.

The analysis of the three large-scale investments reveals that the investors have been unable to fully comprehend aspects of socioeconomic, cultural and environmental settings that could obstruct their investments (i.e. pre-conditions). In at least two major areas, most large-scale investments (including two of those that were reviewed by this study) fall short in their early phases due to deficiencies in (i) knowledge about and respect for the land rights and land use systems of the local and indigenous population and (ii) in establishing proper processes of consultation, whereby all legitimate stakeholders’ views and interests are taken into account (i.e. process). Particularly in sub-Saharan Africa, there are problems in identifying stakeholders and also in determining whether they can be considered legitimate landowners and land users. The problem is compounded by lack of understanding of the history and workings of customary land ownership systems and the multiple values that rural people attach to their land. This problem is also related to unclear and/or competing institutional and administrative structures in rural Africa (Toulmin and Quan 2000; Havnevik 2005; Lund 2007).

Experiences from African case studies, including two of those investigated in this paper show that failures to achieve win-win outcomes are strongly connected to faulty approaches in the early phases of the investments and that they often lead to unrealistic expectations at both ends of the investments. Such experiences represent particular challenges for principles such as rai to become responsible and provide a basis for guidelines that can be effective. My assessment is that principles and guidelines to be effective need to be based on experiences and accumulated knowledge. In this way
principles and guidelines for responsible agricultural investments can be developed in the context of realistic assessments of preconditions and processes. Such an approach will also provide for principles and guidelines to require some sort of weighting, prioritisation or sequencing in order to become efficient.

9. The history of guidelines for large-scale agricultural investments

Problems and challenges relating to agricultural investments have led to repeated calls for clearer rules applicable to such investments in low-income countries and elsewhere (refer Annex 1). At the international level, several sets of guidelines and recommendations for responsible and socially acceptable investments have been discussed and presented. Here a brief overview will be provided of the development of various principles and guidelines. The main focus of this review is the process related to the latest of these guidelines, the so-called rai currently being shaped through international consultations.

Guidelines for responsible agricultural investments emerged in 2009. They were based on research findings by international research institutions, including IFPRI, IIED, the UN Special Rapporteur on the Right to Food, UN/SRRF, and specialised UN agencies such as FAO, IFAD and UNCTAD. Although stakeholders emphasised different recommendations, consensus emerged on the following important aspects of agricultural investments involving large-scale land acquisitions and lease processes: (i) there should be transparency in the negotiations, (ii) the rights of local communities, including customary land rights, should be protected, (iii) the benefits should be shared between local communities and investors, (iv) environmental sustainability should be ensured, and (v) food security should not be compromised. I denote these consensus areas as the original set of responsible guidelines for agricultural investments. Closer scrutiny shows that some of the institutions recommending guidelines to some extent took power relations into account (Havnevik 2011).

The World Bank did not play an active role in the first generation of guidelines on agricultural investments. Nor did its Report on Agriculture of 2008 (World Bank 2008) give much attention to the rapid increase in foreign agricultural investments in developing
countries worldwide. The Report, however, although acknowledging the important role of smallholders, can be seen as sympathetic to a shift from smallholder to large-scale agricultural cultivation.

An emerging vision of agriculture for development redefines the role of producers, the private sector and the state. Production is mainly by smallholders, who often remain the most efficient producers, in particular when supported by their organizations. But when these organizations cannot capture economies of scale in production and marketing, labor-intensive commercial farming can be a better form of production, and efficient and fair labor markets are the key instrument to reducing rural poverty. (World Bank 2008, my italics)

The World Development Report 2008 on agriculture tends to overlook the potential role of smallholders in addressing national development, both in terms of employment and income generation. Research further shows that smallholder agriculture produces higher yields, employ more labour, is less damaging to biological diversity and climate change and has more favourable agro-ecological features that make them better able to address food security over time than large scale agriculture (Lipton 1989 and 2010, Pingali et al. 1987, Binswanger-Mkhize and Gautam 2010, Fernandes et al. 2012 and Coulson 2013).

The above statement by the World Bank implies that economies of scale exist in agriculture that can lead to economic growth. This corresponds well with the World Bank and most international institutions’ adherence to the standard international trade theory, which claims that under certain assumptions all partners will benefit from trade based on comparative advantages. Investments and trade in agricultural products are therefore considered a pathway to global economic growth and poverty reduction. In this spirit, the World Bank in 2009 initiated a global study investigating the background and impacts of rising global interest in farmland (Deininger et al. 2011).

In this study, the World Bank, in cooperation with many partners, attempted to set the frame for global agricultural investments by recommending a new set of guidelines. They came to be denoted Responsible Agricultural Investments, RAI. In summary, the RAI guidelines/recommendations include the following (Deininger et al. 2011):

- Proper recognition of land rights in their various forms, be it property or various forms of user rights;
• All land transfers need to be voluntary, in the sense that they have been subject to free, prior and informed consent from those carrying user and property rights to the land;
• Investments need to be both technically and economically viable, given the local conditions;
• Processes leading up to land acquisitions need to be open, transparent and impartial, where information about land rights, prices, contracts and land use plans should be public to the widest extent possible;
• Investments need to be both environmentally and socially sustainable.

The World Bank’s RAI were later coined as the Principles for Responsible Agricultural Investments (PRAI). They incorporated many of the elements of the first generation of guidelines, but the World Bank PRAI and their concretisation had nonetheless been formulated in “closed door discussions by the World Bank and other multilateral institutions.” The Committee of Food Security, CFS, was subsequently requested by the World Bank to put its stamp of approval on the PRAI. CFS, however, declined (McKeon 2011; 2012:15).

CFS had by then developed into a forum for knowledge-generation about a broad range of food security issues in close consultation with
researchers and civil society worldwide. CFS also organised a High Level Panel of Experts on Food Security and Nutrition (HLPE), from which studies could be requested on various aspects of food security and nutrition.

**New CFS initiatives**

CFS-led intergovernmental negotiations also assisted in the finalisation of a FAO initiative that had started in 2009 to develop the Voluntary Guidelines on Responsible Governance of Tenure of Land, Forests and Fisheries in the Context of National Food Security (VGGT). The final VGGT text was negotiated in early 2012, and in May 2012 CFS endorsed VGGT, which aimed at “helping governments safeguard the right of people to own or access land, forests and fisheries” (FAO media centre, 11 May 2012).

The process leading to VGGT had been strongly supported by the civil society forum that had developed alongside the official FAO Food Summits of 1996 and 2002. This forum provided an alternative base for global networking, in which rural social movements also participated. People’s organisations in particular played a decisive role and there was also strong support and broad participation by non-governmental organisations. The forum also entrusted its own creation, the International Planning Committee on Food Sovereignty (IPC), to take its action agenda forward. IPC is currently an autonomous and self-managed committee supported by a global network of 45 people’s movements and NGOs. In total, it has the backing of more than 800 organisations worldwide.

The IPC network and associated organisations denounced the PRAI as an initiative to legitimise corporate takeovers of territories of rural people. The argument was that the right to decide about land resources is not a technical but essentially a political matter, involving conflicting interests and power relationships (Global Campaign for Agrarian Reform 2010). According to McKeon, civil society interventions in the intense negotiations within CFS regarding the content of the VGGTs helped bring about finalisation of the guidelines (McKeon 2012:15).

In section 11.8 of VGGT addressing markets, it is spelled out that, “Given the importance of small-scale producers for national food security and social stability, States should ensure that when facilitating market operations of tenure transactions, they protect the tenure rights of small-scale producers” (FAO 2012). In section 12.4 of the VGGT, the focus is on investments. Here it is stressed
that state and non-state actors should acknowledge that public and private investments are critical to improving food security and that such investments have to be responsible. It continues: “Responsible investments should do no harm, safeguard against dispossession of legitimate tenure rights holders and environmental damage, and should respect human rights ... They should strive to further contribute to policy objectives, such as poverty eradication; food security and sustainable use of land etc.” (FAO 2012:21).

When investments involving large-scale transactions in tenure rights are considered, including acquisitions and partnership agreements, VGGT emphasises that “States should strive to make provisions for different parties to conduct prior independent assessments on the potential positive and negative impacts that those investments could have on tenure rights, food security and the progressive realization of the right to adequate food, livelihood, and the environment” (FAO 2012:22). This study has shown that in two of the three cases of large scale investments studied (Addax Bioenegy in sugarcane/biofuels in Sierra Leone and tree plantation in northern Mozambique with the Church of Sweden/diocese of Västerås as lead investor) the impact on tenure rights is a particular concern for smallholders. The role of states is further underlined in VGGT in that they should ensure “that existing legitimate tenure rights and claims, including those of customary and informal tenure” be protected (FAO 2012:22).

VGGT would, however, primarily operate at national levels as a tool for developing country governments to protect people’s assets and access to land, forest and fisheries. Aware of the national limitation of the VGGT, the CFS in late 2012 decided that a new set of ‘Principles for Responsible Agricultural Investments which enhance Food Security and Nutrition’ should be developed. These principles were to be termed ‘rai’ in lower case to distinguish them from the World Bank’s PRAI. According to CFS, the rai are to be developed in a broad consultative process involving member governments, civil society, private business and relevant international organisations (CFS 2012/39 FINAL REPORT). The Terms of Reference (ToR) for the rai were adopted by CFS in October 2012 and the plan is to endorse the new rai in October 2014. A Zero Draft of rai was circulated in August 2013.

According to the ToR, the rai principles will (i) aim at promoting investments that enhance food security and nutrition, (ii) contribute to realising the right to food, (iii) be voluntary and non-binding and (iv) be interpreted in correspondence with national and international law and with reference to the voluntary initiatives by states under
international instruments (CFS 2012/39 FINAL REPORT). The rai
principles are to address investments along the entire food chain and
to embrace all categories of investors, including domestic investors and
small-scale commercial activities, smallholders as well as states. Rai,
according to the ToR, are also to build on and complement the VGGT
(in particular section 12 on investments) and PRAI.

But will the rai approach be able to achieve more than existing
principles and guidelines in addressing the need for enhanced food
security and nutrition in developing countries and on a global scale?

Rai are the only principles that connect the whole range of
investors in agriculture. This gives them real potential to address the
protection of the land and water rights of indigenous populations
and to focus on the character of smallholder production regimes
and their needs. Within the framework of the VGGT, protection of
people’s ownership and access to land, forest and fisheries is at the
discretion of nation states. Most African states never met the promise
of channelling 10 per cent of government budget to agriculture. Latin
American and African states have more strongly aligned themselves
with agri-business or other investors, foreign and domestic, rather
than supporting their own smallholders. The negligence of African
smallholders by national governments and international donor
support dates back to the 1970s. For more than three decades the
African smallholder sector experienced a continuous decline (Gibbon
et al. 1992, Bhaduri and Skarstein 1997, Bryceson and Jamal 2007 and
Havnevik et al. 2007). What has emerged during the last decade is
an increasing competition for land and water between large-scale
and smallholder agriculture both in Africa, Latin America but also
due to economic restructuring and urbanisation in China and Asia
(Van Arkadie and Mallon 2004, Amanor 2011; Olanya 2012, Fernandes 2012; Coulson 2013; Mendonça et al. 2013). Hence it is important that the new rai principles can be developed to effectively address this competition/conflict and its implication for food security, nutrition and sustainable development.

10. The rai Zero Draft of August 2013, objectives and principles

Overview of rai Zero Draft principles

In August 2013, CFS released a Zero Draft of rai to provide information on outcomes to date and to enable inputs into the process (CFS, August 2013). The discussion of rai in the Zero Draft is in four parts: (i) Food security, nutrition and sustainable development (economic, social, environmental and cultural issues), (ii) Policy coherence and sector development, and (iii) Governance, grievance mechanisms and (iv) Review and accountability. In each part, draft
principles are spelled out and a summary of their rationale, objectives and application is presented. Following each part, the role(s) and responsibilities of stakeholders and actors are outlined, without, however, being targeted at different categories of investors. There is no sequencing of the principles in terms of their importance in achieving the overall rai objectives. In total, eight draft principles are presented, four for part I, one for part II and two for part III and one for part IV (ZERO draft, 1 August 2013).

Part I Food security, nutrition and the progressive realisation of the right to adequate food in the context of national food security
Principle 1: (i) Enhance people’s food security and nutrition, and (ii) contribute to the progressive realisation of the right to adequate food in the context of national food security.

Economic and Social Issues
Principle 2: (i) Generate positive socioeconomic impacts for all, women and men; (ii) respect international core labour standards as well as obligations related to standards of the International Labour Office (ILO), where applicable; and (iii) apply, as appropriate, the VGGT.

Environment, natural resources and climate change
Principle 3: (i) Use, develop and regenerate natural resources sustainably; and (ii) contribute to climate change mitigation and adaptation.

Cultural Issues
Principle 4: (i) Respect cultural heritage and landscapes and traditional knowledge consistent with international agreements; and (ii) that are considered legitimate by local and other relevant stakeholders.

Part II Policy Coherence and Sector Development
Principle 5: Responsible investments in agriculture and food systems are supported by policies, laws and regulations, which (i) are consistent with each other, and (ii) address all aspects of responsible investments as described in the Zero draft document.

Part III Governance, Grievance Mechanisms and Accountability
Principle 6: Responsible investments in agriculture and food systems are: (i) supported by good governance, and (ii) implemented with meaningful consultation and participation by affected communities.
and the free, prior and informed consent of indigenous peoples.

Principle 7: Responsible investments in agriculture and food systems are strengthened by (i) non-discriminatory access to justice grievance-mechanisms, and (ii) fair, effective and timely mediation, administrative or judicial remedies.

Part IV Review and Accountability

Principle 8: Responsible investments in agriculture and food systems are based on independent, transparent and participatory assessment of their potential impacts on food security and nutrition, societies, economies, tenure rights, environments and culture before, during and after each investment, with mechanisms for regular review.

All actors involved in investments in agriculture and food systems are accountable for their decisions, actions and the impacts thereof.

The Zero Draft of rai has a broad approach to responsible investments for food security and nutrition, which includes agricultural research, education, infrastructure and other relevant services, in addition to a multitude of actors, “private and public, domestic and foreign at small, medium or large scale. The incentives and capacities to invest of all these actors are significantly affected by the presence of an enabling environment, including a conducive policy framework” (CFS, August 2013:1).

The Zero Draft of rai specifically recognises the important role of small-scale food producers and processors – women and men – in investing on-farm, and also takes into account that this group is disproportionately represented among the food insecure and poor. In addition, all other actors are acknowledged, including large-scale investors in agriculture and food systems (CFS, August 2013: 2).

The Zero Draft also emphasises the role of the rai principles in protecting smallholder rights (to land and food) and production conditions that promote sustainable agricultural production. There is at the same time a shift of focus in the rai principles draft as compared to VGGT. In the introduction, the rationale for rai is stated to be to “enhance food security and nutrition, reduce poverty and inequalities, etc.” (CFS, August 2013:1). VGGT adopts a more protective stance: “Responsible investments should do no harm, safeguard against dispossession of legitimate tenure right holders and environmental damage, and should respect human rights” (FAO 2012:21, para 12.4).

In subsequent responses and CFS meetings (FAO 2013c), a number of comments were made by international institutions, civil society, country representatives to CFS, investors, etc. In general, they indicated that the Zero Draft of August 2013 was an improvement over
the May 2013 draft, but that further clarification and restructuring of the principles were required (see Annex 1). The consultations about rai, however, show that there is consensus on the eight overarching rai principles on a more general level. A subsequent CFS committee meeting (the fortieth) was held in Rome from in October 2013 to discuss the further development of rai and other issues (CFS 2013b). Here an update of the consultative process to develop rai was made by the chair of the OEWG, D. Blank, from Switzerland (section v). Maybe the most interesting to report from this CFS meeting was the deliberations and discussion under section B, “Investing in smallholder agriculture for food security and nutrition” which refer to HLPE report no. 6 (HLPE 2013 and refer also chapter 7 of this report).

The rai principles are clear in their overarching objective, namely to enhance food security, nutrition and sustainable development (economic, social, environmental and cultural) (part I). The other principles set out in parts (ii) policy coherence and sector development, (iii) governance, grievance mechanisms and accountability and (iv) review mechanisms and accountability, rather constitute mechanisms or arrangements by which to achieve the overarching objective(s) of part I.

Comments by various CFS members on the rai Zero Draft of 1 August 2013 reveal, however, different views as to the orientation and degree of concretisation of rai (FAO 2013c and Annex 1 of this
report). Some stakeholders argue for more precise language and concepts (Brazil), others for clarity on issues relating to protection (UN Rapporteur on the Right to Food). Civil society organisations point out that rai does not give priority to smallholder agriculture, but primarily focuses on the needs of large-scale investors. The World Bank puts emphasis on urban food consumers and their rising role, which implies the need to strengthen the link between rural producers and urban markets. Major country representatives, including those of the US and Brazil, stress that investments in other sectors are also necessary for enhancing food security, nutrition and sustainable development. The investor representative strongly urges clear tools with which to determine whether investments can be considered responsible. There is thus a challenge to create consensus among these different views and perceptions in the final process of consultations of the rai principles.

Given these divergent views on role, content and purpose, the possibility exists that rai will become more general and that lack of prioritisation will make it possible for stakeholders and actors to adhere to some but ignore other principles as they go about their activities. This is a problem with most voluntary principles. They tend to increase in number, whereas developments that tend to support their objectives are difficult to identify on the ground. The hope of most stakeholders is that behaviour will gradually shift towards supporting the major objectives of the principles for responsible agricultural investments, rai.

In order to make the rai principles effective, my judgement is that
the rai principles need to provide the basis for an associated set of voluntary guidelines. This could be done by identifying the actors, agencies and stakeholders with the best potential to shift production and society towards the overall objectives of the rai principles. This will be the approach of the final section of this study.

11. Suggestions for making the rai principles and guidelines responsible and efficient

Towards modified rai principles
Voluntary principles and associated guidelines for responsible agricultural investments to enhance food security, nutrition and sustainable development must, in my judgement, be based on relevant experience and knowledge in order to become effective. Such principles and guidelines should also identify the driving forces that assist society to move in the direction of the desired objectives of food security and nutrition in the context of sustainable development.

The first step in approaching the rai principles in this way is to frame critical questions for sourcing relevant experience and knowledge. Relevant in this context are those questions that can lead the rai principles in the direction of their objectives. The questions will assist in identifying those principles that can help rai address critical areas where engagement is required, not only in terms of protection of rights, but also regarding investments, support and improvements for critical actors, sectors and areas.

The critical questions:
(A) Who are the major food producers in low- and middle-income countries?
(B) Which agricultural production regime has the best potential to achieve sustainable development in economic, social (employment/labour), environmental/climatic and cultural terms?
(C) How can the food produced also generate the best nutrition?
(D) Where are the major consumers of food located?
(E) What type of investments/support can improve the productive conditions in the agricultural system and bring the food produced
to consumers?
(F) What other types of investments could enhance food security and nutrition?
(G) How can one ensure that large-scale and cross-cultural investments will promote win-win outcomes at both ends of the investments?
(H) Who should be responsible for what in order to make rai efficient?
(a) smallholders/rural people
(b) local administrations
(c) large-scale investors (companies, domestic and external, pension funds, states, etc.)
(d) host states
(e) international institutions and donors
(f) consumers
(g) philanthropic organisations
(h) certification agencies
(i) civil society organisations/NGOs
(j) social movements
(k) others
(I) What type of sequencing or weighing of principles is required to make rai effective?
(J) What type of knowledge and organisation of knowledge is required for rai to address food security, nutrition, agricultural production and sustainability?
(K) What kind of attitudinal changes are required for rai to have a role in shifting the global economic, social, environmental system from a state of unsustainability to becoming sustainable?

Responses to the critical questions
The responses to these critical questions, based on relevant experience and knowledge, and in order to help rai create opportunities for a genuine shift towards food security and nutrition and sustainable development in a responsible and effective way, could be as follows:

(A) Smallholder farmers. This is the case in both Asia and Africa, and in Latin America, although in the latter the large-scale production of energy, soy and livestock geared to exports dominates in terms of land area.
(B) Smallholder farming builds on local culture and values, employs far more labour and can produce more efficiently than large-scale agriculture if given proper direct and indirect support in terms of
investments in assets, markets and institutions.  
(C) In all types of food production regimes and systems, considerations should be given to generate the best possible nutritional outcomes, however with due respect to the cultural acceptance of food. 
(D) Food consumers increasingly live in (a) urban areas, but also in (b) rural areas. 
(E) Investments in infrastructure, storage, post-harvesting, markets and regulatory systems that reduce risks, for instance stability of prices, innovation/technological risks. This can also be summarised in terms of assets, markets and institutions. 
(F) Investments in small-scale industrial processing of agricultural products, including food and fibre, in rural areas; in production and harvesting/processing of forests/fish/energy and of other raw materials for local, national and export markets. 
(G) (a): The initial and ensuing stages of large scale, cross-cultural agricultural investments must ensure that: land laws and regulations, formal and informal, are understood and that local land and user rights are secured beyond doubt; local stakeholders and representatives of land owners, land managers and land users are legitimate; large-scale production does not compete with smallholder food production and existing land and water use; independent environmental and social impact studies are undertaken based on a concrete and well designed investment project; proper consultation and participation processes, including the principle of free, prior and informed consent (FPIC) are in place; contracts and payments for purchase/lease of land are fair and other, including resettlement compensations strictly follow international standards; and plans for benefit-sharing from the investment are fair and including all legitimate stakeholders. 
(b): In parallel with the initial stage of large-scale agricultural investments, the host state and its lower administrative levels must ensure protection of the land and assets of smallholder farmers to which they have legitimate ownership, management- and user rights, in line with the voluntary guidelines VGGT. 
(H) Different sub-sets of the following stakeholders will assume responsibility, based on their experience, knowledge and mandates, for different types of investments and different phases of the investments: (a) smallholders/rural people, (b) large-scale investors (companies and states), (c) host states,
(d) international institutions and donors, (e) consumers, (f) philanthropic organisations, (g) certification agencies, (h) civil society organisations/NGOs, (i) social movements, and (j) others. For instance, for each investment/support/protection activity, a set of actors/stakeholders/agencies will be identified by all the stakeholders as responsible. In line with this, for broader investments in sector- or production-regime support, e.g. for smallholder agriculture, the responsibility will lie with government agencies and international institutions with the mandate to oversee and implement such support, and in line with the desires and aspirations of those to be supported. It is possible to foresee, however, the possible identification of a broader frame of responsible actors, stakeholders and agencies linked to each of the suggested rai principles below.

(I) The sequencing within each principle will aim to mobilise the support, investment or protection that is most conducive to achieving the overall objectives of rai.

(J) Knowledge generation should be reorganised so that training institutes, colleges and universities can address complex issues of food security, nutrition and sustainable development through interdisciplinary research and cross-sectoral and cross-cultural action approaches which also draws on and integrates indigenous knowledge and practice.

(K) Mind-sets and attitudes at all levels change on the basis of acknowledgement of relevant knowledge; increased dramatic impacts, including human suffering, of global economic inequalities and environmental degradation; and increased consciousness of the existence of multiple frames for understanding the world and the need for genuine dialogue among them (Bhabha 1994).

Suggestions for making rai principles responsible and efficient
On the basis of the critical questions formulated and the responses given, the following modified broad but focused principles for rai are suggested (suggested principles) in order to attain food security, nutrition and sustainable development:

**Suggested Principle 1:** Food production to be undertaken by those with the experience and capacity to produce and provide food in a sustainable manner/context (economic, social, environmental and cultural) (refers to A and B). Other agencies, actors and providers, whose operations have been proven to be less sustainable, to be
encouraged to produce and provide food under safeguards that promote the long-term sustainability of their production/operations (refers to G). In all food production the aim should be to generate the best possible nutritional outcomes but with due respect to the cultural acceptance of food (refers to C).

**Suggested Principle 2:** The food produced to be accessed by those who produce, need or demand the food (refers to D and E).

**Suggested Principle 3:** Non-food production and investments to enhance access to food (refers to F).

**Suggested Principle 4:** Relevant stakeholders to take responsibility for different phases of and activities/investments in food and non-food production (refers to F).

**Suggested Principle 5:** Connect practices, experiences and knowledge to find ways to address complex interdisciplinary, cross sectoral/stakeholder and cross-cultural challenges relating to food and non-food production, food access, nutrition and sustainability (refers to J).

**Suggested Principle 6:** Change of mind-set and attitudes at all levels and across cultures to support enhancement of food security, nutrition and sustainable development (refers to K).

**Suggested Principle 7:** The sequencing of principles to be done according to context, but with the objective of achieving the best possible outcomes for food security, nutrition and sustainable development.

**Suggested Principle 8:** Responsible investments in agriculture and food systems are based on independent, transparent and participatory assessment of their potential impacts on food security and nutrition, societies, economies, tenure rights, environments and culture before, during and after each investment, with mechanisms for regular review and with non-discriminatory access to justice grievance arrangements.

All actors involved in investments in agriculture and food systems are accountable for their decisions, actions and the impacts thereof.

**Towards developing associated rai guidelines**

The suggested rai principles for food security, nutrition and sustainable development can subsequently be linked to actors/agencies/stakeholders/sectors and transformed into suggested guidelines that may provide a basis for new, innovative strategies and policies with clear prioritisations in order to attain food security, nutrition and sustainable development:

**Suggested guideline 1:** Food production and nutrition

**Priority 1.1:** Investment and institutional support to smallholder agricultural producers in line with A and B.
Responsibility for priority 1.1 (refers to suggested rai principle 4): smallholders, local administrations, states, donors, philanthropists, international agencies, international financial institutions, local and global consumers, civil society/NGOs, entrepreneurs, training institutes, researchers, universities (the relevant sub-set of H).

Priority 1.2: preparing the conditions for and support to large-scale domestic, cross-spatial and cross-cultural agricultural investments in line with G (a) and protection of smallholder land/assets according to G (b).

Responsibility for priority 1.2 (refers to suggested rai principle 4): host countries, local administrations and smallholder associations/ civil society organisations/NGOs, international and domestic investors, external state and state company investors, pension and financial funds, international financial institutions, banks, global consumers (the relevant subset of H).

Priority 1.3: ensuring the best possible nutritional outcomes for all types of food production regimes and systems, but with due consideration to the issue of cultural acceptance of food (refers to C).

Responsibility for priority 1.3: all stakeholders mentioned as responsible under priorities 1.1 and 1.2. and the relevant training and educational institutes (refer J).

Suggested guideline 2: Food access, availability and utilisation

Priority 2.1: Investment support for infrastructure, market access, regulatory systems to enhance stability and reduce risks for smallholder production regimes in line with E and also to partly fulfil D (a), support food supply and food security in urban areas.

Responsibility for priority 2.1 (refers to suggested rai principle 4): local administrations, states, donors, international agencies, international financial institutions, entrepreneurs, researchers, universities (the relevant sub-set of H).

Priority 2.2: investments in other areas in line with F that will also enhance food security and nutrition especially in terms of increasing the access of people/workers to skills, incomes and networks.

Responsibility for priority 2.2 (refers to suggested rai principle 4): smallholders, local administration, states, consumers, certification agencies, donors, international financial institutions, financial funds, training institutes, trade organisations, researchers, universities (the relevant sub-set of H).

Suggested guideline 3: Practice, experience and knowledge

Priority 3.1: Support to existing training and education institutions to develop approaches that link practice, experience and knowledge so that complex issues relating to enhancement of food security,
nutrition and sustainable development can be addressed.

Responsibility for 3.1 (refers to suggested rai principle 4): international institutions, governments, research councils, ministries (education, training, technology and innovation, agriculture, natural resource management), and training institutions and universities, civil society institutions, international donors, philanthropists and social movements.

Priority 3.2: Establish new and reform existing institutions, training institutes and universities that promote skills and generate knowledge relating to practice and experience in an interdisciplinary and cross-cultural manner.

Responsibility for 3.2: research councils, governments, entrepreneurs and innovators, ministries (education and training, agriculture and natural resource, technology and innovation), commercial companies, international institutions and networks, philanthropists, civil society organisations and social movements.

Suggested guideline 4: Change of mind-sets and attitudes

Priority 1: Reflect on oneself to become conscious of one’s societal and cultural frame.

Priority 2: Reflect on how one’s practice, experience and knowledge can promote food security, nutrition and sustainable development.

Priority 3: Reflect on one’s ability to discern, i.e. see and understand ‘the other.’

Priority 4: Reflect on one’s ability to contribute to and help establish spaces and forums for mutual learning about food security, nutrition and sustainable development (third spaces).

Priority 5: Reflect on how one’s actions can contribute to enhanced food security, nutrition and sustainable development.

Priority 6: Shift the thinking, concerns and power in institutions and societies in the direction of food security, nutrition and sustainable development.

Responsibility for priorities 1-5: each individual
Responsibility for priority 6: all individuals and all institutions

Suggested guideline 5: Sequencing

This guideline can be used for prioritising the various suggested guidelines, i.e. food production and nutrition (suggested guideline 1), food access, availability and utilisation (suggested guideline 2), connect practice, experience and knowledge (suggested guideline 3) and change of mind-set and attitudes (suggested guideline 4). Ideally there should be a broad shift of all suggested guidelines in direction of food security, nutrition and sustainable development simultaneously.
This is not considered possible, given the current power relations and global economic and social inequalities. The following is a proposal as regards prioritisation (A the highest priority) between the suggested guidelines, however, as argued consistently through this study, context will also have to play an important role in the judgement of prioritisation:

Priority A (suggested guideline 1, food production and nutrition, priority 1.1; investment and institutional support to smallholder agricultural producers/production with a view to attain the best nutritional outcomes and with reference to the cultural acceptance of food)

Priority B (suggested guideline 1, food production and nutrition, priority 1.2; prepare the conditions for and support to large scale domestic, cross-cultural and cross-spatial agricultural investments and with a view to attain the best nutritional outcomes and with reference to the cultural acceptance of food)

Priority C (suggested guideline 3, practice, experience and knowledge, in parallel with priority 3.1 support to existing institutions and 3.2 support to new institutions in order to address the need for improving the generation of new knowledge and practices)

Priority D (suggested guideline 2, food access, availability and utilisation, priority 2.1 investment support for infrastructure, market access, regulatory systems to enhance stability and reduce risks for smallholder production regimes),

Priority E (suggested guideline 2, food access, availability and utilisation, priority 2.2 investments in other areas in, i.e. non-food sectors),

Priority F (suggested guideline 4, change of mind-sets and attitudes, action on all priorities 1-6 simultaneously)

At an early stage in the investment planning and approaches a link has to be established with the relevant set of actors/sectors/stakeholders responsible for planning/implementation/follow up in line with the suggested rai principle 4 (see suggestions for making rai principles responsible and efficient). The suggested rai Principle 5 (connect practices, experiences and knowledge) should be viewed as cutting across all the suggested rai guidelines. However, as underlined
elsewhere in this study, the understanding of context must also play a role in prioritisation and sequencing of the different suggested guidelines for action.

Such sequencing of the suggested rai guidelines will imply that the prospects for obtaining responsible investments in agriculture will increase. As the analyses of the case studies of large-scale investments indicate (refer chapter 8), current practices have not sufficiently taken experience and knowledge into consideration in the planning and implementation of such investments. In addition support to and investments in smallholder agriculture have been declining over time. These factors have obstructed the movement in direction of food security, nutrition and sustainable development. The suggested rai principles for responsible agricultural investment and their
associated guidelines may add concretisation and improve the basis for prioritisation of the range of investments connected with the suggested rai principles and guidelines, which could reverse long-term negative trends and contribute constructively to food security, nutrition and sustainable development, both in development countries and on a global scale.

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ANNEX 1: Comments on rai ZERO draft by various stakeholders

A selection (by the author) of comments on the Zero Draft of August 1 2013 by key institutions, business interests and major country/regional representatives indicate various concerns as to the further development of rai (FAO 2013c):

**(i) Comments by the UN rapporteur on the right to food.**

“Recommendations addressed to States, private investors (in sections on “Roles and Responsibilities”) would, in several, cases seem to be too vague and general to provide adequate guidance (Olivier de Schutter, Special Rapporteur on the right to food, comment as regards principle 6, “The reference to meaningful consultation and participation is critical … it would be useful to be more precise in the reference to consultations with indigenous peoples.”

**(ii) Comments by the representatives of civil society organisations (CSO)**

“The importance of small-scale producers, their contributions and particular needs are missing in the Zero Draft. In fact, the document is drafted from the perspective of large investors, while small-scale producers are added on as needing safety-net type protections…… Across the documents, language about enabling investment favours large-scale investors and not small-scale producers, and local food systems that link producers and consumers” (CSO inputs into the Chair’s Summary, 23 September).

**(iii) Comments by the representative of Brazil**

“In our view, the Zero Draft still presents problems in terms of structure, organization and language …..there are still some imprecise language and misused terms and some lack of clarity, which raise different interpretations on some concepts ...The documents still
restricts the concept of agricultural investment to food production, without giving clear guidance on the important role of non-food agricultural production in food security and nutrition, such as the production of fibers, cellulose, biofuels and other crops, that, in my country, as in many others, have significant impact on building livelihoods especially for the most vulnerable rural population."

“Finally, the structure of the document entails confusion between some objectives of public policies, which are the primary responsibility of States, and other actions that should be required by private investors. Although all stakeholders should be encouraged to promote food security and nutrition and other principles enunciated in the document, the nature of their responsibility and their ability to address these issues are significantly different ... Much of the confusion could be addressed by restructuring the principles, by incorporating in each one of them – and not in a separate section – the roles and responsibilities of each party.

(iv) Comments by the World Bank

“The WB, along with our partners, FAO, IFAD and UNCTAD have collectively committed ourselves to generating a body of empirical knowledge to inform and strengthen this important consultation process. We thoroughly support the emphasis of the CFS Zero Draft document on urban consumers ... We would encourage states to keep in mind the urban poor during the consultation process, because their numbers are very likely to continue to expand and are least able to absorb the problem of food price rises ... we will need to be aware that there are very significant differences between smallholders ... We believe that a more segmented and nuanced understanding would be helpful. Medium and large scale SHF (smallholder farmers) collectively command the largest land areas and also generate a significant quantity of marketable surpluses. In the main this community represents not only one of the best hopes for feeding this expanding and changing urban demand but also ensuring that the cash income spent by the urban consumers is cycled into the rural economy generating opportunities and jobs. Additionally the principles should aim to support that section of the Small SHA community with the skills, capacity and enthusiasm to expand and develop their farms as a business ... the rai should as a core principle emphasize the need for increasing the availability and affordability of food ... principles of rai should include not exposing smallholders to new and innovative investments because of the very real dangers of financial risks”

(comment by Grahame Dixie, World Bank).
(v) Comments (informal) by the representative of the European Union

“The principles should have more of a focus on the specific criteria that define responsibility. We should remember that the principles are voluntary and hence one could expect those that adhere to these principles to go further than setting minimal standard. In our opinion rai should clearly state what a responsible investment should not do and give guidance towards a responsible investment in order to provide added value in an ambitious way. In this sense, it needs to be clarified how an investment can qualify to be considered responsible. We also believe that there should be criteria over investments that cannot be considered responsible (Informal comments by the EU and its 28 Member States as of 20 September 2013). ... Further it should be avoided to state principles that are not totally realistic because they are drafted too generally or with and extremely large scope (ibid.:3) ... There should be a clear distinction between the roles and responsibilities of different actors: for example home states concerning national and international investments, of state or state owned enterprises investing in other countries and the obligations of host states in guiding and regulating the behavior of private investor, Particularly missing are currently provisions dealing with the investments by states investing abroad.”

(vi) Comments by the representative of the United States

“We wish to again emphasize our desire for the RAI to encourage responsible investment in agriculture in developing countries by offering guidance to stakeholders across the value chain that help protect people, and particularly smallholder farmers, from exploitative practices; and that effectively consider other impacts such as sustainable development….The United States continues to emphasize the need for a linguistic structure of the document to reflect its intent to serve as general principles of a voluntary nature designed to promote responsible agricultural investment. To that end, we believe the principles should be written as goals stakeholders seek to pursue rather than as declarative statements that include the words e.g. “should strive to” ... However, we raise caution with the current wording in some places of the zero draft that still imply investment alone in agriculture or food systems can ensure food security and nutrition, which is simply not the case” (United States Written Statement to the CFS on the Zero Draft, 23 September 2013).

(vii) Comments by the representative of the Private Sector Mechanism (PSM)
“We need these principles to be effective and workable ... We in the private sector believe this draft still has a long way to go ... These principles are full of laudable goals, however, they do not form a coherent set of principles from which and investment could be made. As criteria they are so broad that they would not be useful in deciding whether a company can or cannot be involved, or whether a financial institution should or should not finance it ... Investment decisions are micro-decisions. They are valid at the project level. The principles ask to factor in all consequences at a larger system level, but without common understanding of what that system is, and that the overarching supply chains change all the time, are principally unstable and therefore impossible to factor in ... The principles are so abstract that they will pose high implementation costs and barriers ... We need investment criteria providing tools, practical guidance and common ground on how investments should occur. In part, we believe that stems from the fact that the current draft does not draw adequately upon the work that is been done to-date on responsible agricultural investments. This is a moment to build upon what has been done and improve it, as was set out in the terms of reference. In this regard, we recommend the following actions: (i) a simplification and shortening of the draft, (ii) move the roles and responsibilities to a single section at the conclusion of the document to avoid duplication and confusion, (iii) a complete reworking of principle 4 to acknowledge the need for diversity and innovation as well as traditional knowledge and (iv) a recrafting to make it more clear what criteria an individual project must meet or a reframing to suggest these are the broad principles for states” (Private Sector Mechanism Statement, RAI OEWG Opening session, 23 September 2013).

(viii) Comments by the representative of Japan

“As pointed out at the last CFS meeting, Japan is of the view that principles of “rai” should be “encouraging investments,” “simple and concise”, and “practical.” In this regard, we find much progress in this zero draft, which takes into account the view in a much better manner that the previous draft” (Comment by Japan, general observations on the Zero Draft).

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studies in the areas of rural development, agrarian change, natural resource management and development assistance primarily in Africa, but also with a focus on Vietnam, Sweden and Brazil. He has been senior researcher and professor at universities and research institutes in Norway (the Chr. Michelsen Institute, CMI, University of Bergen and University of Agder), Sweden (the Nordic Africa Institute, NAI, and the Swedish University of Agricultural Sciences, SLU) and Tanzania (the University of Dar es Salaam). He has been responsible for a number of major studies, research assessments and evaluations for ministries, aid organisations, universities and research councils in all Scandinavian countries and institutions/organisations including UNDP, New York, FAO, Rome, IFAD, Rome, UN Habitat, Nairobi, Volkswagen Foundation, Hannover, The Tanzanian Ministry of Industries, and VI Agroforestry and Orgut, Stockholm. He is currently conducting research part time on large scale agricultural investments in Tanzania with funding from Swedish research councils and working part time as an independent consultant, the latter capacity in which he conducted this study. He is currently connected part time to the Institute of Development Studies, University of Agder, Norway (professor) and the Nordic Africa Institute (senior researcher). He has published a number of scientific articles and books with publishers in the US, Great Britain, the Netherlands, the Nordic countries and Tanzania.
This ninth discussion paper of the Swedish FAO Committee publication series aims to enhance our understanding of land, land investments and rural organisation in relation to the objectives of the principles of responsible agricultural investments.

The Committee on World Food Security adopted Voluntary Guidelines on responsible land tenure in 2012 and subsequently initiated global consultation about principles for responsible agricultural investments. The purpose is to promote food security, nutrition and sustainable development. The principles relate to all types of agricultural investments and include all major stakeholders globally. But what does responsibility imply? What purpose do such voluntary principles and guidelines serve, and why has this particular form been chosen? Why are investments in agriculture and land preferred to promotion of trade in food and agricultural products, stocks and futures? Africa has become the major focus for global agricultural land investment.

Different views on whether smallholder or large-scale land agricultural investments or both may help attain the objectives are presented and analysed. The paper argues for more conscious use of experience and knowledge to make general principles for agricultural investments the basis for concrete guidelines, that can support policy and strategy formulations. In this way the principles could become more efficient and make a real contribution to rural transformation in developing countries. Such a transformation is seen necessary for improving food security and nutrition in a sustainable way.

The FAO, Food and Agriculture Organization, is the UN’s expert body for agriculture, forestry and fishing. It was founded in 1945 and one of its aims is to contribute to secure food supply, freedom from hunger and a better global economy.

The Swedish FAO Committee was founded in 1950, the same year as Sweden became a member of the FAO. the committee's task is to help the government in its work with secure food supply for all people bearing in mind global development and preserved biological diversity within the areas of agriculture, fishing and forestry. The committee consists of fourteen members and Chairperson Magnus Kindbom, State Secretary at the Swedish Ministry for Rural Affairs. The Swedish Government's overarching work with issues concerning FAO as an organisation is discussed in the FAO Group at the Ministry for Rural Affairs.